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# Reagan to Go Ahead With Summit

## Plans to Meet With Gorbachev Despite Surgery for Cancer

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan, continuing to recover from cancer surgery, authorized administration officials Tuesday to begin preparations for his planned summit meeting with the Soviet leader, Mikhail S. Gorbachev, in November.

The chief White House spokesman, Larry Speakes, said a 10-person team would leave Thursday to make arrangements in Geneva, where the summit meeting is to be held Nov. 19 and 20.

It was the first official word that President Reagan intended to go ahead with the summit despite the major intestinal surgery he underwent Saturday for the removal of a tumor that was found Monday to be malignant.

Mr. Speakes said President Reagan's doctors described him Tuesday as recovering well from the surgery and displaying "excellent spirits."

"His condition is excellent," Mr. Speakes said, and his vital signs "are within normal ranges."

Mr. Reagan's doctors told him Monday that the 2-inch (51-millimeter) polyp removed from his intestine Saturday was cancerous. But they said that there was no indication the cancer had spread and that it appeared unlikely that any remained.

They also said there was no apparent need for radiation treatment or chemotherapy.

Mr. Speakes said Tuesday that

Mr. Reagan had received a message of sympathy from Mr. Gorbachev, Nicaragua's president, Daniel Ortega Saavedra, was also among leaders who sent messages of encouragement, he said.

Vice President George Bush, who had been scheduled to leave Washington on Tuesday on a two-state political trip, instead stayed to serve as a stand-in for Mr. Reagan at meetings Wednesday and Thursday with members of Congress on the president's tax overhaul plan.

Mr. Speakes said Mr. Reagan had a 20-minute meeting on Tuesday morning with White House chief of staff, Donald T. Regan.

On Monday, the president signed an executive order creating a commission to review defense contracting practices, Mr. Speakes said.

Mr. Reagan's doctors said Monday that he would probably be out of the hospital within seven or eight days and fully recovered in six to eight weeks.

Dr. Steven Rosenberg, chief of surgery at the National Cancer Institute, said that the surgery had provided Mr. Reagan with the best chance of being cured.

"There is greater than a 50-percent chance that the president now has no cancer whatsoever," he said.

"The president's recovery is proceeding in a flawless fashion."

He said that cancer is not an unusual disease in men as old as Mr. Reagan, who is 74, and that he



Dr. Steven Rosenberg

always advises them to "resume their full and complete activity."

White House officials say that Mr. Reagan's schedule has been cut back but that he still plans to meet next week, at least briefly, with China's president, Li Xiannian.

President Reagan, the oldest serving U.S. president, has three and one-half years left in his second four-year term.

Vice President Bush, who briefly was assigned Mr. Reagan's presidential powers Saturday when the president was under anesthesia, currently appears to be the front-runner for the 1988 Republican presidential nomination.

In transferring his powers, Mr. Reagan became the first president to follow procedures similar to those in Section 3 of the 25th Amendment of the Constitution. (Reuters, UPI, NYT)

## Experts Share Optimism on Rest of Term

By Susan Olke and Christine Russell

Washington Post Service

WASHINGTON — Medical experts interviewed about President Ronald Reagan's cancer surgery said there is a better than 50-50 chance that his tumor is permanently cured, but they add that the cancer's penetration into the muscle layer of the colon is a serious complication raising concern about his future health.

Some of the doctors interviewed expressed confidence that the president would finish his term without further evidence of cancer.

"He has an excellent probability that he will do very well during the remainder of his term in office," said Dr. Donald A. O'Kieffe, a Washington gastroenterologist affiliated with George Washington University. "He is not likely to be disabled within the next three years."

Others had a gloomier view. "It's not such a great report," said one National Institutes of Health surgeon familiar with the case. "There's a 50-percent chance that the president is going to do well, but unfortunately a 50-percent chance that he is going to do poorly."

Several doctors said again Monday that Mr. Reagan's prognosis might have been better if the tumor had been discovered and removed 14 months ago, when the first polyp was discovered in his colon. Some experts had previously questioned why the president's physicians waited so long to give him a thorough bowel examination that would have detected the growth, which must have been in his colon for several years.

Based on the pathological grading of Mr. Reagan's tumor, which had invaded the muscular middle layer of the large intestine's wall, the president has about a 50- to 75-percent chance of surviving the next five years with no recurrence of his cancer. This would be considered almost equivalent to a permanent cure, because only 5 percent of cancers recur after five disease-free years.

Experts said that the most disturbing aspect of the pathologists' findings was that the tumor had breached the "basement" membrane—the barrier that divides the inner lining of the large intestine from the middle layer.

"It clearly has begun some phases of invasion," said a National Cancer Institute pathologist. When a cancer penetrates below the basement membrane into the muscle, he added, "it enters the realm where blood vessels and lymphatics are."



Vice President George Bush and Nancy Reagan at a White House concert on the South Lawn for the diplomatic community. Mrs. Reagan was officially representing her husband.

## Belgium To Hold Early Poll

### King Baudouin Rejects Cabinet Offer to Resign

By Steven J. Dryden

International Herald Tribune

BRUSSELS — Prime Minister Wilfried Martens said Tuesday that Belgium will hold general elections in October, two months earlier than scheduled.

The announcement came after King Baudouin refused to accept his government's resignation.

Mr. Martens tendered the resignation after one of the four parties in his center-right cabinet withdrew over the refusal of the interior minister to take responsibility for the May 29 soccer riot in Brussels, in which 58 persons were killed.

The king's rejection came after he consulted with Mr. Martens and other political leaders.

"The king has refused the resignation," Mr. Martens said. "The government will go ahead for a restricted period of time with a minimum program."

He said that elections scheduled for December would be held in October.

The French-speaking Liberal Reform Party, a move made by its leaders as a bid for votes in the elections, withdrew from the government coalition on Monday.

It said it could only remain in the government under "honorable conditions." This was taken to mean the resignation of Interior Minister Charles-Ferdinand Nothomb.

Following the king's decision, the party said it would stay in government "because of the superior interests of the state," but warned that the continued backing of Mr. Nothomb by his party, the French Social Christians, could block the work of the coalition in its remaining months.

The soccer riot occurred when fans of England's Liverpool team attacked supporters of Juventus of Turin at the European Cup Final at Brussels's Heysel stadium.

A parliamentary inquiry concluded that the British fans were primarily to blame for the violence, but said that there were serious security errors for which Mr. Nothomb should bear responsibility. He rejected demands for his resignation.

Although the king has little say in the day-to-day running of the government, he plays a key role during the country's frequent leadership crises by mediating between the numerous political parties.

Mr. Martens's spokesman said it would have been technically impossible for the king to accept the resignation now, dissolve the parliament and call elections. The elections must be held within 40 days, which would mean they would come during August when much of the country is on vacation.

Mr. Martens's current coalition, formed in December 1981, has come close to setting a record for longevity among the 32 governments that have ruled Belgium since World War II. He led four other governments between 1979 and 1981 before putting together a more durable team.

The frequency of change has led to the use of shorthand by Belgian newspapers, who refer to the government by the name of the prime minister and a Roman numeral signifying the number of coalitions he has led. The present government is known as "Martens V."

In the view of some of his political aides, the durability of Mr. Martens's government had itself created the conditions for political maneuvering by the coalition partners, each nervously jockeying for advantage in the pre-election period.

"This is the price we are paying for an unusual phenomenon in Belgium—the stability of the government," one aide said.

## Uncertainties Dampen Expectation About a Quick Return to Oval Office

By Lou Cannon

Washington Post Service

WASHINGTON — The disclosure that the tumor removed from Ronald Reagan was malignant has cast uncertainty over his presidency despite the assurances of doctors and administration officials that he is likely to resume a full and normal schedule.

"The strength of this president has always been an

optimism and vigor that seems to overwhelm all obstacles," a Reagan associate said Monday. "If he comes out of this with the same qualities, he's enhanced. If he doesn't — well, that could be a different thing."

Mr. Reagan's reaction to the diagnosis was characteristically optimistic. The chief White House spokesman, Larry Speakes, said Monday that the president still expected to leave the hospital in seven to 10 days and resume his duties "without restrictions."

Michael K. Deaver, a longtime intimate of the Reagans and former deputy White House chief of staff, said that the president and Nancy Reagan both had been "calm and realistic" about the news. "I don't see a major change in his attitude," Mr. Deaver said. "Being the optimist he is, he's fully convinced that nothing will happen."

But administration officials acknowledge uncer-

tainly about the public reaction to the symbolism of the statement made Monday by Dr. Steven Rosenberg, chief of surgery at the National Cancer Institute, as he opened a news conference: "The president has cancer."

Although Dr. Rosenberg quickly added that "there is a greater than 50-percent chance that the president now has no cancer whatsoever" and that the surgery had "completely cured" him, two questions preoccupied the administration after the diagnosis.

The first was the day-to-day management of the presidency, in which the White House chief of staff, Donald T. Regan, has emerged as the central figure. The second was the functioning of what might be called the symbolic presidency, at which Mr. Reagan and his managers have usually excelled.

As an example of the importance of presidential symbolism, one administration official observed that Mr. Reagan's planned August vacation at his ranch near Santa Barbara now assumed an unusual significance.

Mr. Reagan customarily spends his time on these vacations riding and clearing brush, vigorous activity for anyone recovering from a major operation. The president is expected to be still recuperating when he leaves for the ranch on Aug. 14 and his activity, or lack of it, is likely to be a focus of commentary. The

(Continued on Page 2, Col. 4)

Several doctors said again Monday that Mr. Reagan's prognosis might have been better if the tumor had been discovered and removed 14 months ago, when the first polyp was discovered in his colon. Some experts had previously questioned why the president's physicians waited so long to give him a thorough bowel examination that would have detected the growth, which must have been in his colon for several years.

Based on the pathological grading of Mr. Reagan's tumor, which had invaded the muscular middle layer of the large intestine's wall, the president has about a 50- to 75-percent chance of surviving the next five years with no recurrence of his cancer. This would be considered almost equivalent to a permanent cure, because only 5 percent of cancers recur after five disease-free years.

Experts said that the most disturbing aspect of the pathologists' findings was that the tumor had breached the "basement" membrane—the barrier that divides the inner lining of the large intestine from the middle layer.

"It clearly has begun some phases of invasion," said a National Cancer Institute pathologist. When a cancer penetrates below the basement membrane into the muscle, he added, "it enters the realm where blood vessels and lymphatics are."

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## Fed Raises Its Money-Growth Target In Effort to Stimulate U.S. Economy

By John M. Berry

Washington Post Service

WASHINGTON — The Federal Reserve has sharply raised its money supply growth target this year as part of a policy intended to inject life into a sluggish economy.

In a mid-year report to Congress made public Tuesday, the central bank said the higher money target would be consistent with "some what more rapid economic growth than characterized the first half of the year, as long as inflationary pressures remain contained."

The Fed policy-makers, in a grouping of individual economic forecasts, indicated they expect the gross national product to increase from between 2.75 percent to 3 percent, after adjustment for inflation, from the fourth quarter of 1984 to the fourth quarter of this year. Similarly, the "central tendency" of their forecasts for 1985 show real GNP rising at a rate of 2.5 percent to 3.25 percent rate.

While the economy grew at less than a 2-percent rate in the first half of this year, the most closely watched measure of money, M-1, shot up at a 10.5-percent rate, well above the 4-percent to 7-percent pace targeted by the Fed for this year.

Technically, the Federal Reserve decided to incorporate most of the first half's money surge into the base from which its future growth will be measured. The new target range for M-1, which includes currency in circulation and checking deposits at commercial banks, is 3-percent to 8-percent growth, using its second quarter average of \$382.5 billion as a base. Previously, the base was the fourth quarter, 1984, average.

The Fed policymaking group, the Federal Open Market Committee, set the new range at a meeting last week. The group also set a tentative target range for 1986 of 4-percent to 7-percent growth.

The policy group also reaffirmed its 1985 target of 6-percent to 9-percent growth for M-2, a broader measure of money that also in-

cludes savings and small time deposits, most money market mutual fund shares and other items. It similarly reaffirmed a 6-percent to 9.5-percent target for M-3, a still broader measure that also includes large time deposits and other items.

Even the new higher range for M-1 assumes that money growth in the second half of this year will run at only about half its pace in the first six months. If it does not slow down substantially, it will again rise above the target.

"This range contemplates a substantial slowing in growth from the pace of the first half," the report said, "and the lower part of the range implies a willingness to see relatively slow growth should the recent velocity decline be reversed and economic growth be satisfactory."

Federal Reserve Chairman Paul A. Volcker told reporters, "I am as concerned about inflation as I have ever been." The new targets do not represent a "yielding on inflation," he declared.

## U.S.-Soviet Arms Talks Recess, Still Deadlocked

Reuters

GENEVA — The United States and the Soviet Union ended the second round of new arms control talks Tuesday with the negotiations still deadlocked over the U.S. Strategic Defense Initiative.

The Reagan administration has instructed its representatives not to negotiate on the Strategic Defense Initiative, a \$26-billion research program that is intended to develop an anti-missile shield in space.

The chief Soviet negotiator, Viktor P. Karpov, said: "There has been no progress and it's not our fault." The talks are to resume in September.

Max M. Kampelman, the chief U.S. negotiator, said later in a statement that "in a negotiation as complex as this one an agreement will not be easily or quickly arrived at."

In contrast to Mr. Karpov's comments, Mr. Kampelman said, "But we do note a greater emphasis on dialogue and a lesser emphasis on polemics."

The Soviet Union has said that no progress can be expected on reducing the superpowers' arsenal of long- and medium-range nuclear missiles unless the United States abandons the research program.

The final meeting of the second round of talks ended with a session at the Soviet mission in which three negotiating teams discussed long-range nuclear missiles, medium-range missiles and space weapons.

■ No Breakthrough Seen

William Drozdiak of The Washington Post reported earlier from Bonn:

When the negotiations resume in September, there is scant expectation that either side will offer a new gambit to end the stalemate before President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, meet in Geneva on Nov. 19.

Even then, senior Western officials are skeptical of chances for a

breakthrough, and Lord Carrington, the secretary-general of the North Atlantic Treaty Organization, has said that no real movement toward a pact should be expected for at least another year.

Mr. Gorbachev's swift consolidation of power has brought speculation that he might soon feel confident enough to begin an initiative to reach a quick accord, so that Soviet resources could be concentrated on economic reforms rather than on new weaponry.

After two rounds, Mr. Gorbachev's imprint has not been detected in the negotiations. Soviet positions and tactics have reflected the intransigent style of Mr. Gromyko, whose 27-year reign as foreign minister ended two weeks ago when he was elevated to the post of president.

Senior administration officials say it is premature to assess whether Mr. Gorbachev will aggressively pursue an arms control agreement, if only for economic reasons, or continue the huge investments in the military. But the analysts believe that Mr. Gorbachev appears to have acquired the authority and political clout to reach an arms agreement early, if that is what he wants.

U.S. negotiators are understood to be disappointed — but not surprised — at the refusal by their Soviet counterparts to put forward ideas or suggestions that would indicate an early willingness to compromise at the arms talks, which opened in March.

Only the atmosphere at the negotiations has improved, with the Soviet negotiators now much less strident than during the first round, when they argued with the Americans about the risks of Mr. Reagan's Strategic Defense Initiative. Members from both delegations also are engaging in more frequent informal contacts outside the negotiating room.



Viktor P. Karpov, left, greeting Max M. Kampelman before Tuesday's talks in Geneva.

## Israel-Union Agreement Averts Strike

By Edward Walsh

Washington Post Service

JERUSALEM — After two weeks of high-level talks, Israel averted a general strike as the government's latest economic austerity plan survived its initial test with the powerful trade unions.

The strike, which had been threatened for Tuesday by the Histadrut, the trade union federation, was called off at dawn after the negotiations between the labor federation and senior officials reached a last-minute agreement.

The agreement was an important victory for Prime Minister Shimon Peres and his economic austerity plan, which he pushed through the cabinet during a 24-hour meeting that ended July 1.

Mr. Peres said at the time that the Israeli economy faced "total

collapse" without the austerity measures, which included a large currency devaluation, a sharp cut in government subsidies and a three-month wage and price freeze to reduce workers' real incomes.

The accord Tuesday set the levels for the cost of living compensation Israeli workers will receive in August and September, partly offsetting the income erosion that will result from austerity measures.

The government also agreed to drop its planned use of emergency regulations to dismiss up to 10,000 public employees. Instead, it will continue to negotiate with the Histadrut over the numbers to be dismissed and the process for this.

The Histadrut responded by calling a 24-hour strike, and then began negotiations with the government while threatening an

open-ended strike if the talks failed.

Had that happened, the economic austerity plan — the third devised by the national unity government since it came to power in September — might have collapsed before it was enacted.

Speaking at Kfar Tavor, Mr. Peres hailed the union agreement as an important step toward ending Israel's steady economic decline.

"I felt that we were right on the verge of deterioration and that acute, painful decisions had to be taken immediately," he said in defense of his austerity plan.

## Heinrich Böll Dead at 67; Nobel Winner

By Eric Pace

New York Times Service

NEW YORK — Heinrich Böll, 67, whose bittersweet chronicling of German life in World War II and postwar West Germany won him the 1972 Nobel prize for literature, died Tuesday in Cologne.

Over the years, in the words of his Nobel prize citation, his novels and short stories "contributed to a renewal of German literature" through their "combination of a broad perspective on his time and a sensitive skill in characterization."

At the time Mr. Böll received the prize — he was the first German citizen to win it since Thomas Mann in 1929 — his popularity and prestige in Europe were phenomenal. More than any other German writer he constituted a link between capitalist West Germany, where he was a best-selling author, and Communist East Germany, where his works came to be the most popular West German fiction.

His work was praised by Marxist critics throughout the Communist bloc, despite the fact that he was a Roman Catholic.

As both a writer and an activist, Mr. Böll was a perennial critic and foe of establishments, bureaucracies and inhumane rules — of any kind of oppressive institutionalized power.

"Life is contradictory to law and order," he said once. "Only the dead are in order and obey all the laws."

Much of Mr. Böll's literary output was set in the Rhineland, where he was born and where he spent most of his life. Cologne was the setting for his 1971 novel, "Group Portrait With Lady," which the Nobel prize committee called his "most grandly conceived work."

His sympathies lay with what he called the "natural human inno-



Heinrich Böll

cence" of ordinary people, and he lovingly celebrated its survival despite the horrors of World War II and despite what he saw as the evils of the West German society that grew from its ashes. One such innocent was Leni Pfeiffer, the long-suffering protagonist of "Group Portrait With Lady," who remained indifferent to property and profit.

Heinrich Theodore Böll was born Dec. 21, 1917, in Cologne. As a student he was one of the few boys in his class who did not join the Hitler Youth.

"The Nazi period could have happened only in Germany," he said later, "because the German education of obedience to any law and order was the main problem. It wasn't that people were worse than others. It also had to do with a certain exhaustion and inability to resist, not only physically but mentally."

With the outbreak of World War II, he was assigned to a front-line infantry unit. He served on Germany's East and West fronts, was wounded four times and, as he later recalled, "became convinced of the

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■ British industrial production increased 1 percent in May, according to preliminary government figures. Page 15.

■ Citicorp reported its second-quarter earnings rose 22 percent despite an increase in its loan loss reserve. Page 15.

## TOMORROW

Los Alamos, N.M., where nuclear weapons were born, has learned in 40 years to live with and prosper from the bomb.

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# Fiat Says It Wants to Compete for Work on SDI

By Axel Krause  
International Herald Tribune

TURIN — Fiat SpA, Western Europe's largest automobile company, is ready to participate in research for the U.S. Strategic Defense Initiative, Giovanni Agnelli, chairman of the Italian company, said in an interview.

Fiat officials said a company representative would soon be based in Washington to help Fiat compete for contracts for the space-based American defense program.

A senior U.S. official on Tuesday termed the Fiat decision a "highly encouraging" development in U.S. efforts to enlist foreign participation in the space defense program.

Fiat, which generates half its annual sales (24 trillion lire (\$1.9 billion)) outside auto-making, has already outlined its potential for SDI research, primarily in the fields of rocketry, robotics and laser weapons. Mr. Agnelli said Monday. The proposals were recently made available to U.S. officials in Washington, the company said.

While Fiat is proceeding with plans to bid on SDI contracts, Mr. Agnelli said, the company would also seek to participate in Euro-

pean, a French-sponsored program to develop high technology in Europe.

"I believe both SDI and Eureka can be done, but we are going ahead with the U.S. program first because it is ready with financing, staff and will start soon," Mr. Agnelli said.

He added that Fiat had the Italian government's approval "to go ahead with SDI while waiting for Eureka."

A number of large West European companies are studying a role in the U.S. program, and some have expressed interest directly to the Reagan administration. But Mr. Agnelli's comments were believed to be the first public statement by the head of a leading European corporation pledging his company to a direct role in both the U.S. program and Eureka.

Eureka was launched by France three months ago as a response to the Space Defense Initiative. It will be the focal point of a meeting of high-ranking officials from 17 European countries that begins in Paris on Wednesday.

The purpose of the meeting, French officials said, is to define criteria of high-tech-

nology projects that might be started under Eureka and to seek ways of organizing and financing the program. Eureka's budget has been estimated at 55 billion francs (\$6.29 billion) over five years.

No commitments have been made by any government although the idea was endorsed at the European summit meeting in Milan last month and the upcoming meeting in Paris was scheduled.

An aide to Roland Dumas, the French minister of external relations, said, "We hope to come up with answers for industrialists, such as Mr. Agnelli, who want to know what Eureka is, as well as for governments attending the Eureka conference that might want to participate." Mr. Dumas will host the Paris meeting along with Hubert Curien, minister of research and technology.

Mr. Agnelli's comments supported the conclusion drawn by Vice President George Bush during his European tour earlier this month that SDI and Eureka were compatible. Following a meeting with President François Mitterrand of France, Mr. Bush said he thought that Eureka was "a research

program that does not relate predominantly to strategic defense."

Mr. Mitterrand has repeatedly said that the French government would not participate in SDI, but that French companies were free to do so.

Mr. Agnelli said that participation in the U.S. program could have "colossal implications" not only for Fiat but for the future development of high technology in Europe. "Europe is out of most Pentagon programs but this represents a major opportunity."

Spending on the Strategic Defense Initiative, which is expected to begin by the end of this year, will total an estimated \$26 billion through 1989. As much as a third of those funds could be spent outside the United States, according to U.S. sources.

Mr. Agnelli emphasized that he did not share the fears expressed by Mr. Mitterrand, among others, that participation in the U.S. program would subordinate European industry to an inferior, subcontracting role.

"I do not accept the allusion [to participating in SDI] as a colonial relationship, and would rather view it as a commonwealth," he said.



Giovanni Agnelli

## WORLD BRIEFS

### Ex-U.S. General Collins Is Acquitted

WEST PALM BEACH, Florida (AP) — A retired two-star air force general was acquitted Tuesday of six counts of embezzling \$19,000 and misusing \$445,000 from a secret military spy fund he managed in Swiss bank accounts.

The jury deliberated two hours and 20 minutes before reaching its verdict clearing retired Major General R. Collins, 55, a highly decorated former fighter pilot.

Military witnesses testified that the cash account bankrolled top secret missions. But specific uses of the fund, opened in a Swiss bank in 1963, were never discussed in court. Federal prosecutors had charged that General Collins used trust built up in his 26 years of military service to misuse the fund that he managed from 1975 until his retirement in 1978, when the account was closed.

General Collins, once an aide to former Secretary of State Alexander M. Haig, could have faced up to 60 years in prison if convicted.

### Dutch Give Pretoria 48 Hours to Act

THE HAGUE (Reuters) — The Netherlands will withdraw its ambassador in South Africa unless, within 48 hours, Pretoria returns a Dutchman seized from the Dutch Embassy by South African police, the foreign ministry said Tuesday.

Klaas de Jonge, 47, detained under South Africa's Internal Security Act, escaped a week ago and tried to take refuge in the Dutch Embassy but was removed by South African police.

The Netherlands asked for an apology, disciplinary action against the police officers and an assurance that there would be no further such incidents.

### West Berlin Seizes Austrian Wine

BERLIN (Reuters) — West Berlin impounded all Austrian wine held by importers after tests produced evidence of contamination with diethylene-glycol, the chemical base of automobile antifreeze, a spokesman for health authorities said.

The antifreeze was found in two bottles of ordinary table wine from Austria, he said. Discovery of the toxic substance, which had previously appeared only in Austrian wines labeled as "superior," provoked a scandal threatening serious damage to the Austrian wine industry.

In Switzerland, an official at the Food Control Office in Zurich said more than 1,800 bottles of Austrian wine had been seized. Last week, West Germany impounded thousands of bottles of Austrian wine in a hunt for shipments that had been mixed with diethylene-glycol for taste and strength.

### Tighter Rein Urged on China Reform

BEIJING (Reuters) — Chinese leaders, facing difficulties brought on by the country's economic reforms, have called for tighter Communist Party control and have announced a shift in foreign investment priorities. Hu Qili, a senior member of the party's Central Committee secretariat, said in a statement published Tuesday by the China Daily that the country's economic reform program would fail unless the party maintained a tight grip.

State Councillor Gu Mu was quoted by the Xinhua news agency as saying that foreign investment would be channeled into Shanghai, Guangzhou, Luda and Tianjin, with less emphasis on development of 10 smaller coastal cities opened to outside investment last year. These have failed to attract much attention because of poor infrastructure.

### Republicans Ask House Budget Cuts

WASHINGTON (UPI) — Senate and House Republicans demanded Tuesday that House Democrats come up with budget cuts to make up for increases in Social Security payments or face the prospect of no budget this year.

The Senate's original budget made more cuts in domestic spending than did the House's, including freezing Social Security cost-of-living increases. In an agreement with the White House, leaders agreed to drop the Social Security provision but to seek other budget cuts to offset the increased spending.

"We don't intend to give it all up," the Senate Republican leader, Robert J. Dole, said, after a meeting with House Republican leaders. "Whether we get a budget or not—that's the problem at this point," Mr. Dole said he was not yet ready to call off the budget talks.



Robert J. Dole

### Egypt Charges Sheikh With Sedition

CAIRO (NYT) — The government announced Tuesday that it has charged Sheikh Hafez Salama, Egypt's leading advocate of Islamic law, with sedition for allegedly distributing pamphlets that "instigated the people against the regime" and urged them to destabilize the government.

Raga el-Araby, the state security prosecutor, said the government probably would file other charges against the sheikh and 13 of his supporters, who were arrested Friday in a major crackdown on Islamic fundamentalists. Since Sunday, the government has announced the arrest of at least 45 Muslim "extremists."

The Middle East News Agency reported Tuesday that 11 persons had been arrested in Alexandria and that 22 "extremists" were arrested in Fayoum, a large village in an oasis about 60 miles (96 kilometers) southwest of Cairo.

### For the Record

Prime Minister Shimon Peres said Monday that Israel wanted to re-establish diplomatic relations with the Soviet Union. The relations were broken by Moscow during the 1967 Arab-Israeli war. (NYT)

Yao Yilin, one of China's deputy prime ministers, concluded a visit to the Soviet Union on Tuesday. (AP)

Forest fires in Greece have killed three persons and destroyed thousands of acres of woodland, firefighting officials said Tuesday. (Reuters)

### Correction

Bob Geldof, the singer who inspired Saturday's Live Aid rock music concert to help famine victims in Africa, has been nominated for the 1986 Nobel Peace Prize, not the 1985 prize as reported Monday.

### Police Replace Militias, Keep West Beirut Calm

BEIRUT — West Beirut had one of its most peaceful days in months Tuesday after a Syrian-backed security plan went into effect and the police took over from militia groups in the mainly Muslim sector.

The police said Lebanese Ambassador to Saudi Arabia, Zafar al-Hassan, was wounded in the hand by sniper fire as he was being driven with a police escort across the Green Line from West Beirut to the Christian eastern sector for a meeting with President Amin Gemayel.

He was taken to the American University Hospital in West Beirut, where his minor injury was treated.

A spokesman for the Lebanese Internal Security Forces, Captain Ashraf Rifi, said 20 police units, of four men each, began patrolling the streets at 6 A.M. with orders to arrest anybody carrying a weapon.

The size of the internal security force is "much smaller than its task," Captain Rifi said.

But he added that any police patrols that had trouble could call for assistance from a 500-member task force of the Lebanese Army.

West Beirut's main militia forces, made up by members of the Shiite Amal and the Druze Progress-

## UN Women's Meeting Hears Softer U.S. Line

By Blaine Harden  
Washington Post Service

NAIROBI — In a surprisingly conciliatory speech before a United Nations conference on women's issues, Maureen Reagan said Tuesday that the United States has no intention of denying Palestinian women or South African women the use of the conference as a platform to voice their grievances.

The speech, before the United Nations Decade for Women Conference, brought qualified praise from women representing the Palestinian Liberation Organization and the anti-apartheid African National Congress. However, the address was denounced by American feminists.

They called Ms. Reagan's boasts about the advancement of American women "total double-talk" and charged that women's rights have eroded under the Reagan administration.

Ms. Reagan is President Ronald Reagan's eldest daughter.

Other speakers Tuesday included Suzanne Mubarak, wife of Egypt's president, Hosni Mubarak, who called for a "decisive stand" against apartheid. The Associated Press reported from Nairobi.

[Mrs. Mubarak also spoke of that she called the suffering of Palestinian women in Israeli-occupied territories. She said that "it is unbelievable that women can effectively participate in developing their society under foreign occupation and subjugation."]

The U.S. delegation to the conference, which Ms. Reagan heads, had come into the meeting vowing to keep "political issues" from dominating "the unique concerns of women," which it had maintained were the only "legitimate" business of the conference.

While Ms. Reagan did not explicitly back away from that position Tuesday, she said that the question of apartheid in South Africa "is of utmost importance" to the women's conference. She also referred specifically to the problems of "Palestinian women."

**Hotel Evictions**  
Mary Bhattara of The Washington Post reported earlier from Nairobi:

More than 100 delegates to a separate unofficial forum on women's issues returned Monday to their Nairobi hotels from weekend safaris into the Kenyan countryside to discover that they had been evicted to make room for official delegates to the conference.

At one hotel Americans arrived to find clothing, cameras and toiletries wrapped in bedspreads and piled on the lobby floor. "They'd gone through the rooms and thrown everything together in the lobby," said Raydon Acedo, a delegate from Washington.

"One person looked through her bundle and said, 'I now have no underwear and no shoes.'"

The evictions came after the forum delegates reported an agree-



Suzanne Mubarak, wife of Egypt's president, defended the cause of Palestinian women at the UN meeting.

ment with the Kenyan government that would have allowed them to sleep two or three in a room to keep their rooms, which had been paid for before their arrival.

The difficulties began more than a week ago when the more than 10,000 delegates to the nongovernmental forum, held one week before the official Women's Conference, began arriving to find that long-confirmed hotel reservations were being shortened or not honored.

The Kenyan government has apologized for the confusion but blamed it on countries that doubled and tripled the size of their official delegations at the last minute.

## Aides Will Keep President Informed So That He Can Make Major Decisions

By Hedrick Smith  
New York Times Service

WASHINGTON — During President Ronald Reagan's convalescence his principal advisers will seek to take over some of his work load but still keep him sufficiently informed to make major decisions on foreign or domestic policy, according to White House officials.

They said that the National Security Council and cabinet would meet as usual, despite Mr. Reagan's absence, and that congressional groups would come to the White House. The president will later be briefed by Donald T. Regan, the White House chief of staff, Vice President George Bush, and Robert C. McFarlane, the national security adviser.

Where possible and where there is a consensus among the president's key advisers, Mr. Regan and top cabinet officials will try to make some decisions on the president's behalf, one official said. But he emphasized that this would mean no transfer of the president's authority on key decisions.

Larry Speakes, the White House spokesman, said: "I wouldn't make any decisions that he doesn't know the president wishes him to make."

He added, "I'm sure that Don will be very thorough with the president. He has a good working relationship and knows what to do on his own." But, he said, "I don't think any constitutional decisions will be made by anybody other than Mr. Reagan."

A senior White House official said, "We will try to make as many

decisions as we can without involving him, where we can get agreement among his advisers." And if there is a difference of opinion and it can't be ironed out," he said, the advisers will "make it crisp, succinct and take it to him for a decision."

At a luncheon strategy meeting with the senior White House staff, Mr. Regan decided to clear the president's schedule of public events until his planned departure for his California ranch on Aug. 14. Otherwise, the White House is to carry on normal operations, much as was done in 1981 after Mr. Reagan was wounded in an assassination attempt.

This time, however, the Reagan entourage seems even more at pains to avoid any appearances that the president's illness is reducing his power or any actions that might seem to highlight Mr. Bush as his potential successor in 1988.

"I think you'll see business as usual going on," said a presidential aide. "You'll see the National Security Council meeting and the cabinet councils and the president given briefings and option papers by the vice president and Regan and McFarlane, depending on what the subject is."

"All indications are that the boss is going to be in a good position to have those discussions right away," the official said. "We'd like to keep it to a minimum through the end of the week. That means Don Regan is going to do a bit more than he would ordinarily, but he talks with the boss and would keep him informed."

## Uncertainty On Reagan Chances of Cure Above 50-50, Experts, Reagan Doctors Say

(Continued from Page 1)

phases are, and can spread further."

He said the fact that pathologists who had examined slices of the growth saw no evidence of cancer cells within blood vessels or lymph channels was a good sign, but he emphasized that the spread of tumor cells by those routes might still have occurred. The pathologists' findings reflect only what they could see on selected cross-sections of the tumor that were preserved and stained right after surgery.

Dr. Steven Rosenberg, chief of surgery at the National Cancer Institute, said at Monday's briefing for reporters that the individual cells making up the tumor were "moderately well differentiated."

This description means that the cells in Mr. Reagan's tumor were probably fairly uniform. The pathologist at the cancer institute who was interviewed said that this, too, was a favorable sign.

"If tumor cells look all regular and the same and do not look bizarre, that's less aggressive," he said. "If they greatly vary in size and shape, there's a poorer prognosis."

The estimate of a 50- to 75-percent chance of a cure for the president comes from studies based on the Duke's classification of colon cancer, a system devised in 1971 for grading malignancies according to how far they have spread beyond the innermost lining of the colon to involve other tissues. The system is named for Dr. Cuthbert E. Duke, who was a pathologist at St. Mark's Hospital in London.

The Duke's classification has proven to be the most reliable way of predicting the recurrence of colon cancer. The president's tumor is graded Duke's B — more dangerous than a growth confined to the inner layer of the large intestine but not as ominous as one that is found to have spread to lymph nodes outside the colon.

Questions have been raised about whether Mr. Reagan should have undergone more extensive tests of his colon after earlier polyps were detected. His first polyp, which was noncancerous, was found in May 1984. In March of this year a second benign polyp was detected, as well as signs of blood in the president's stool.

From May of last year to this past Friday, Mr. Reagan underwent tests that explored only the first two feet or so of his intestine (about 60 centimeters). Some doctors believe that he should have received a barium enema X-ray or a colonoscopy, an examination of the entire colon, after the earlier polyps were discovered. The larger tumor was found Friday at the end of the six-foot-long large intestine, at the

point where it joins the small intestine.

The experts said Monday that the cancer would almost certainly have been seen earlier if the more complete tests had been done. But none could say whether the testing would have caught the cancer before it had entered the muscle layer of the president's bowel.

All of the doctors interviewed said that there was no way to estimate how long ago the growth had spread into the muscle layer, converting itself from a highly curable tumor into one with a 25- to 50-percent chance of recurrence.

Dr. O'Kieffe, Dr. John L. Cameron, chief of surgery at the Johns Hopkins University Hospital, and other experts agreed with the judgment of Mr. Reagan's physicians that no further therapy would be needed now, beyond the surgery he underwent Saturday.

"If he was a 34- or 44-year-old man, we might suggest something," said Dr. Paul Sugarbaker, chief of the colorectal surgery branch of the National Cancer Institute. "Maybe a combination of radiotherapy and chemotherapy. But in a 74-year-old man it would just sap his energy."

**View of Reagan Doctors**  
Lawrence K. Altman of The New York Times reported:

Dr. Edward Cattan, a gastroenterologist who participated in the detection of Mr. Reagan's first polyp in 1984, said considerable thought was given to performing a colonoscopy test on the president at that time. But the doctors decided against it for a number of reasons, including the benign character of the polyp and its lack of statistical association with colon cancer.

Another reason that the colonoscopy was not done in 1984, Mr. Reagan's doctors have said, is that it was not called for under the guidelines of the American Cancer Society.

Moreover, there are risks, small though they may be, in a colonoscopy.

One medical text states: "Colonoscopy is a difficult technique that requires experience with several hundred procedures for proficiency."

The final pathology report Monday clearly illustrates a rule among many specialists who treat patients with bowel polyps: A biopsy is worthwhile only if the polyp is completely removed.

The biopsy of Mr. Reagan's polyp taken in the colonoscopy Friday showed no evidence of a cancer. It was only the extensive tests on the polyp removed at surgery that showed it to be a malignant villous adenoma.



## Greenpeace Ships Message to Whaling Commission

The International Whaling Commission began meeting in Bournemouth, England, as the ship Sirius, of the conservation group Greenpeace, rode at anchor with an inflatable whale on its stern. The Soviet Union announced Tuesday it would temporarily halt hunting whales in the Antarctic next winter in compliance with a worldwide ban on commercial whaling. Japan has agreed to stop in 1988, leaving Norway the only nation that has given no indication it will comply with the ban.

## EC Aides Fail to End Grain Dispute

Reuters

BRUSSELS — European Community agriculture ministers failed Tuesday to resolve a dispute over grain prices.

They empowered the European Commission to enforce price cuts until the end of the year, officials said.

The ministers were unable to overcome West German opposition to a proposed 1.8-percent price cut after two days of talks.

They asked the commission to continue managing the grain market, adding that they hoped to reach agreement by the end of the year, the officials added.

Bonn made unprecedented use of its veto to block the price cuts last month, saying it had to protect the interests of about 600,000 West German grain farmers.

The commission had proposed the cuts in an effort to reduce the group's surpluses.

Before Tuesday's talks, there were hopes that ministers would finally reach agreement, perhaps by compensating West German farmers for loss of income.

Earlier, the ministers approved a

proposal to cut subsidies on pasta exports to the United States to avoid a trans-Atlantic trade war.

Officials said the ministers empowered the commission to vary pasta export subsidies by country of destination, without specifically mentioning the United States.

Italy, which provides almost all EC pasta exports, voted against the plan, which is part of a four-month truce agreed by the commission and the United States.

The agreement will enable the commission to almost halve subsidies of pasta to the United States and Canada in return for the withdrawal of a U.S. complaint to the world trade body, the General Agreement on Tariffs and Trade, and of a threat to impose higher import tariffs on EC pasta.

The EC had threatened to retaliate with higher tariffs on U.S. nuts and lemons.

Subsidies are expected to drop from the present 14 European currency units (\$10.50) per 100 kilograms (230 pounds) to 8 ECUs.

## Heinrich Böll Dies at 67

(Continued from Page 1)

almost total senselessness of the military life. I suffered the frightful fate of being a soldier and having to wish that the war might be lost."

After a few months as a French prisoner of war in 1945, he was released, returned to his home and entered the University of Cologne. While working part-time in the family workshop and as a municipal clerk, he began writing.

His first novel, "The Train Was on Time" appeared in 1949 and was widely praised. Written in a blunt style that contrasted with the bombast of the Nazi era, it was about the last days of a sensitive

young German soldier returning to the front.

Mr. Böll won particularly high praise later for "Billiards at Half-Past Nine" (1959), a panoramic work about three generations in a family of German architects, and "The Clown" (1963), a study of an outsider condemned to live in a sterile, hypocritical world.

A perennial gadfly in West Germany's public life, Mr. Böll campaigned for its Social Democratic Party in 1972 but later became disillusioned. As the years passed, he continued to criticize many aspects of West German society. His 1974 "The Lost Honor of Katharina Blum" was about a young woman hounded by police and reporters after helping a wanted man.

In 1942, Mr. Böll married Anne-Marie Cech, who collaborated with him in translating works of J.D. Salinger, Bernard Malamud and other English-language authors into German.

## Soviet Warships Transit Baltic

The Associated Press

COPENHAGEN — Twenty-one Soviet warships, an unusually large number, have passed through Baltic waters off the Danish coast in the past week, presumably on their way to exercises in the Atlantic Ocean, defense officials said Tuesday.

The 21 vessels included six submarines and the nuclear-missile cruiser Nizny, according to the Danish Navy.

While calling the number exceptionally large, Lieutenant Colonel R.K. Jacobsen of the defense intelligence service said, "Our interpretation is, however, that an ordinary exercise activity is involved."

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## AMERICAN TOPICS



Blake Rossow is learning a new trade in carpentry class at a vocational school in Minnesota, one of the states developing ways to help their hard-pressed former farmers.

## States Pitching In To Help Farmers

After years of inaction and of referring problems to Washington, individual states are moving to help their hard-pressed farmers. The New York Times reports.

State actions include moratoriums on mortgage foreclosures, debt forgiveness plans, legal aid, job training programs and changes in rules that govern eligibility for aid. Though short of cash, many farm families own so much land and machinery that technically they do not qualify for help.

Jim Riordan, administrative assistant to Iowa's lieutenant governor, Robert T. Anderson, says state aid works. Mr. Riordan, a failed farmer himself, added, "We are closer to the people in their homes. We're feeling it too."

## Bipartisan Backing For Secretary of State

A bipartisan group of foreign policy experts, headed by Edmund S. Muskie, a former senator, secretary of state and Democratic presidential contender, and Kenneth Rush, a former ambassador to West Germany and France, has called for a reassertion of the authority of the secretary of state as presidential spokesman on foreign policy over that of the White House.

national security adviser, The New York Times reports.

The group contended that the State Department's traditional leadership role in foreign policy has been at times severely diluted by the National Security Council and other parts of the government. In recent years, such national security advisers as Henry A. Kissinger and Zbigniew Brzezinski have appeared to wield more influence than the secretary of state.

The report was by the Joint Working Group of the Association of Former Members of Congress and the Atlantic Council of the United States. Its 50 participants included academics, diplomats and government officials.

## Short Takes

The Nautilus, the world's first nuclear-powered submarine, launched in 1954, decommissioned in 1980 and designated by Congress the following year as a National Historic Landmark, will be the central attraction at the navy's Nautilus Memorial Submarine Force Library and Museum at Groton, Connecticut, when it opens in April. The navy operates two other such memorials, the battleship Arizona at Pearl Harbor and the frigate Constitution in Boston.

Like many another newly resigned public figures before him, David A. Stockman, who is forsaking the federal budget directorship for Wall Street, is considering writing a book. The New York Times quoted a friend of Mr. Stockman who insisted on anonymity: "He'll talk about how to overcome the political hostility to budget-cutting. He'll show the hypocrisy of members of the Congress and members of the cabinet. He'll name names."

At the end of the Beirut hostage crisis, President Ronald Reagan wisecracked, "After seeing 'Rambo' last night, I know what to do the next time this happens." The film is a fiction about a Vietnam veteran, John Rambo, who rescues a group of Americans still being held in prisoner in Vietnam years after the war. The Washington Post asked veterans and Marine Corps candidates at the Vietnam War memorial their opinion of the film, whose full title is "Rambo: First Blood, Part II." Both groups gave it mixed reviews.

## Where Should Rambo Head for Next?

Two marine candidates were asked where Rambo should go next. "Beirut," said Yan Weiting. "Shake those people up a little bit." "Definitely Nicaragua," said Todd McMurtry. "He should lead a special task force to rescue some nuns or something."

—Compiled by ARTHUR HIGBEE

## U.S. Officer Injured in East Germany As Car Is Rammed by Soviet Truck

By William Drozdzak

**BONN** — The commander of the U.S. military liaison mission in East Germany was injured last weekend when his car was rammed from behind by a Soviet military truck, U.S. Army officials said Tuesday.

The U.S. military command in Europe has protested to Soviet forces in East Germany over the collision, which occurred near Sankt, northeast of Berlin, just after midnight Saturday.

It was the first incident between Soviet troops and the American military liaison unit since a Soviet sentry shot and killed a member of the 14-man team, Major Arthur D. Nicholson Jr., last March.

The 380,000 Soviet forces based

in East Germany are carrying out a major military exercise called Soyuz-85.

Colonel Roland Lajoie, the head of the U.S. liaison group, suffered facial fractures in the accident, according to Pentagon officials. Colonel Lajoie was one of three American soldiers traveling in the American car. The driver, Sergeant Jesse C. Schatz, was also behind the wheel of the car on the mission when Major Nicholson was killed.

On June 4, three officers belonging to the British liaison group were harassed for five hours by Soviet soldiers, who hurled bricks and waved cocked weapons at them after ramming their car with a truck.

A French officer was killed last year when his vehicle was rammed by an East German truck.

Shortly after the Nicholson shooting, the commanders of U.S. and Soviet forces based in West and East Germany met and reportedly reached agreement not to permit "use of force or weapons" by their soldiers in controlling the movements of the liaison groups, who conduct what is tantamount to sanctioned espionage in the former occupation zones.

Diplomats say the daily reconnaissance sorties by the liaison missions are generally conducted by two-man to four-man teams.

They drive marked military vehicles, equipped with infrared cameras, listening devices and binoculars, and search of information on the nature and location of troops, missiles and armor.

## Soviet Ties Scientists' Pay to Innovations

By William Drozdzak

**MOSCOW** — Mikhail S. Gorbachev, the Soviet leader, has decided to link the salaries of scientists, technicians and industrial designers to creativity in production, in the hope that financial self-interest will help spark a technological revolution.

A decree by the Communist Party's Central Committee, made public Tuesday, authorized increases of up to 50 percent for those who make a significant contribution toward modernizing industry.

"We have set the task of ensuring a closer link between the salaries of scientific workers, designers and technicians and their personal contribution to the acceleration of scientific-technical progress," the decree said.

Mr. Gorbachev has gone on record as saying that better management and the introduction of high technology in industry are priority goals in his drive to put new life into the stagnating economy and to raise living standards.

Because of the extreme centralization of the Soviet economic structure, payment for all specialists is guided by a complicated set of rules laid down in Moscow. The decree represents a relaxation, but it is not a radical change.

Under the decree, which takes effect Jan. 1, enterprises will be given limited powers to raise or cut salaries of technical experts in accordance with their performance.

All scientific workers will have to undergo a thorough evaluation of their work at least once every five

years and accept changes in their salaries according to the results. The size and frequency of potential bonus payments will be calculated in accordance with the importance of the job and the speed with which new inventions are applied.

There are frequent complaints in Soviet industry about technical innovations that lie on the shelf for years, if not decades, because of bureaucratic delays and worker resistance to new processes or labor-saving devices.

The decree stipulates pay equality for scientists and technicians in industry and those in more prestigious academic institutes.

There is an urgent need, it said, for experts to work close to the production process rather than in remote research facilities.

## 5 Accused of Smuggling F-14 Equipment to Iran

By Jay Mathews

Washington Post Service

**SAN DIEGO** — Four Filipino immigrants, including a U.S. sailor, and an Iranian living in England have been arrested and charged with stealing and shipping navy F-14 fighter equipment to Iran.

The equipment was described as navigation and missile-guidance systems for the planes. A U.S. spokesman said that "some of the most sophisticated combat weaponry known to the Free World" was involved.

Officials from the Customs Service, the FBI, the navy and the Justice Department charged Monday that the international smuggling ring had spanned several

years and had been able to export untold amounts of parts before being detected late last year.

In the last seven months, investigators asserted, they intercepted "over a dozen cartons containing hundreds of pounds and over two dozen separate parts," including some valued at more than \$50,000 apiece.

Three San Diego residents, Primivo Baluyut Cayabyab, 36, an aviation storekeeper assigned to the aircraft carrier Kitty Hawk; Pedro Manassala Quito, 60, a civilian navy warehouse worker; and Franklin Pangilinan Agustin, 47, who runs an insurance business, were arraigned before U.S. Magistrate Roger Curtis McKee. They

were charged with conspiracy, theft and interstate transportation of stolen property, exportation of war material and defense articles, and making false declarations. They were being held without bail.

Arrested on similar charges were Edgardo Pangilinan Agustin, 45, of Jamaica, New York, Franklin Agustin's brother; and an unidentified Iranian national in Britain. Court papers alleged that Said Asad Inanlou, 36, of Middlesex, England, had communicated often with the San Diego residents who were arrested.

Iran purchased several F-14s during the reign of the late Shah Mohammed Reza Pahlavi. But the United States cut off shipments of

spare parts after the government of Ayatollah Ruhollah Khomeini took over six years ago.

Parts similar to those stolen are still available to governments friendly to the United States and have previously been in Iranian hands, so the thefts are not considered a serious breach of national security, said the chief of the FBI bureau in San Diego, Gary L. Pennington.

The Customs Service's regional commissioner, Quintin Villanueva, said of the suspects: "Their motivation was money."

He said the parts were shipped from California to New York to London to Iran in boxes labeled medical supplies or automobile parts.

Agents said they had traced them back to naval facilities in California, Virginia and the Philippines and in two other aircraft carriers, the Carl Vinson and the Ranger, as well as the Kitty Hawk.

## More Arrests Expected

Additional arrests of sailors and civilians are expected as the investigation continues, officials told the Los Angeles Times.

Although investigators said that no "critical" aircraft parts had reached Iran since the investigation began, they added that they had no idea how much equipment might have been shipped before 1983. One investigative source said that the ring might have been operating for as long as seven years.

According to experts outside the government, the case marks the first known instance of a foreign government's penetrating the U.S. military supply system to obtain sensitive weapons.

The disclosures raised new concerns in Washington about the security of the navy's procurement system.

Secretary of the Navy John F. Lehman Jr. was described by an aide as "very much concerned" about the apparent vulnerability of the system.

The arrests came on the heels of a series of procurement scandals that in recent weeks have afflicted the navy. Federal agents are investigating the disappearance of more than \$1 million in equipment and supplies from the Kitty Hawk. Investigators said that case was unrelated to the alleged theft of parts intended for Iran.

## In Mexican Voting, Loser Was Electoral Reform

By Richard J. Meislin

New York Times Service

**MEXICO CITY** — The official results of Mexico's national elections were announced this week, and they showed the governing Institutional Revolutionary Party winning all seven governorships that were at stake, all but five of the 300 elected seats in the Chamber of Deputies, and all but a handful of dozens of local and state offices.

But the major damage, some political analysts say, was done to the opposition. There was more than a reasonable chance that most of its candidates would have lost in any case.

The big loser, many believe, was Mexico's recently nurtured, and still-fragile image — particularly abroad — as a country trying to open up and clean up its political system and its society.

Those who witnessed the process at work July 7 in the two most hotly contested states, Sonora and Nuevo Leon, had little doubt that a sweeping victory by the governing party over its main opposition, the conservative National Action Party, would be the official outcome.

Many opposition pollsters were barred from the voting sites, particularly in areas of opposition strength. Reporters saw people leap from cars to stuff multiple ballots into ballot boxes and saw boxes with uncounted ballots being taken from the polls.

Checks of the voting rolls showed instances of fictitious names listed by the hundreds, while others — including one opposition mayoral candidate — had been purged. In Nuevo Leon, the local congress did not even bother to wait for the official results before declaring the governing party candidate the winner.

It was the type of election that had occurred in El Salvador in 1983 or Nicaragua in 1984, would have produced worldwide headlines decrying fraud and would have led to grave questioning of the credibility of the elected governments there.

For Mexico, it was elections as usual, and as such the public outcry here has been muted. Official figures indicate that half the voters did not cast ballots; a poll taken in the capital before the elections indicated that only 13 percent of the people expected honest results.

The problem for Mexico is that these elections were supposed to be different. Foreign reporters seemed to take at face value President Miguel de la Madrid's pledges that the elections would be conducted cleanly and that the "moral revolution" he regularly promotes would extend to the democratic process, as it seemed to in the first few municipal elections during his term in office.

The journalists did not pay as much attention to his statements that Mexico did not need, and would not accept, lessons in democracy from abroad.

What the results indicated instead was that, at best, Mr. de la Madrid had managed to force those who manage elections at the state and local level to accept his message, or at worst, that his own people abandoned that theory in favor of a big electoral victory.

The Institutional Revolutionary Party, which has controlled Mexico's political life almost totally for 56 years, showed that its first priority remained keeping itself in power.

Aides to Mr. de la Madrid had some trouble explaining what happened. "The president gave very specific instructions that these elections were to be clean," said a high-ranking government official. "I don't know why they would commit such a coarse fraud." He suggested that perhaps the election irregularities were committed by the opposition to try to embarrass the governing party, or that local officials had simply ignored Mr. de la Madrid's wishes.

The answer from party leaders was more abrupt. "We can affirm categorically there was no fraud," said Maximiliano Silerio Esparza, a national representative of the Institutional Revolutionary Party to Sonora, when asked about some of the irregularities seen by reporters.

"This was a celebration of democracy." At face value, the results would indicate that after three years of high inflation and sharply lowered living standards, "not only has the

## NEWS ANALYSIS

governing party not lost any support, it has gained support," said a Mexican academic who studies politics here.

"If that were the case," he added, "Reagan and Thatcher and everyone and his mother would be coming here to see how it's done." They are not. In fact, public praise for the election has come from only a

handful of countries, including the Soviet Union, Haiti, and South Yemen.

Representatives of other countries have expressed concern. One senior Western diplomat here, using the initials for the ruling party's name in Spanish, said, "I don't think the PRI has ever reacted so strongly against the opposition."

The diplomat, who asked that his name not be used, added that the governing party's means of holding onto power were unquestionably successful during Mexico's postwar period of 6 to 8 percent annual growth, when there were "goodies to hand out" to party members and the labor unions. But he said trying

to maintain the same system during a prolonged recession could eventually result in "a crisis."

Additional pressure, he said, could come from what he saw as the increasingly disenchanted middle class, which is giving more support to the National Action Party.

Mexican officials note that, whatever else may have happened, there was virtually no election-related violence, which they view as a sign that the party and its ability to maintain peace still have the hearts of the Mexican people. "I think the people in this country are more mature than even we think," said a government official. "They know what they want — social peace."



**BOLIVIAN ELECTIONS** — Polling place workers loaded ballots from presidential elections Sunday for delivery to counting place. Hugo Banzer Suarez, a rightist candidate, claimed a plurality. A center-right opponent, Victor Paz Estenssoro, called the claim "audacious." Jaime Paz Zamora, a leftist, was the third candidate. Official results are due July 31. The absence of a majority in the outcome will mean that the Congress will convene on Aug. 2 to elect one of the three candidates for the country's four-year term.

## District of Columbia's 2-Arch Policy Is Constructed to Please Both Chinas

Washington Post Service

**WASHINGTON** — The United States once had a two-China policy. Now the District of Columbia's government has a two-China-arch policy.

The District, bowing to the demands of vocal anti-Communists who live in the District's Chinatown area, has agreed that two arches can be built to span H Street Northwest.

The District government, as part of a sister-city relationship, earlier this year announced its intention to split with Beijing the cost of a \$1-million, 47-foot-high (14-meter) arch to span the deteriorating area's main street.

The announcement drew immediate protests from Chinatown's pro-Taiwan residents, who dubbed the D.C.-Beijing span "the Communist arch."

Reacting to the complaints, the District now has approved a second arch, to be financed with private donations.

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# INTERNATIONAL Herald Tribune

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## Proper Protection Hurts

A certain amount of protectionist legislation is always pending in Congress. It is part of the background noise. But this year hurting industries have spun the volume knob to LOUD. More than half the members of both houses — 288 in the House, 53 senators — have signed a bill to cut textile imports by a third. Bills have been introduced to keep out other foreign products ranging from bicycles and shoes to lumber and uranium. Other legislation would reduce the executive branch's discretion to deny relief to petitioning industries in the future. The pressures are serious.

The temptation is to dismiss these bills as symptoms not of a fundamental economic problem but of a character defect in Congress. Let any large wheel squeak, this minimizing view of the matter goes, and members will rush to grease it, no matter what the long-term consequences. To buy votes in the next election they would risk a trade war. But that explanation does not wash this time. U.S. economic policy, not politics, is to blame.

The U.S. merchandise trade deficit rose from \$25.5 billion in 1980 to \$107.4 billion last year, and this year it is expected to be higher still. A leading cause has been the strength of the dollar, which has risen in value more than

40 percent since 1980 relative to other currencies. The dollar has been held up in part by high U.S. interest rates — and interest rates have been propped up by record federal budget deficits and government borrowing. The budget deficit — which has risen from \$39.6 billion in fiscal 1980 to more than \$200 billion this fiscal year — has helped produce and sustain the trade deficit. The two deficits are different reflections of the same fact. America is consuming more than it produces; it has been living beyond its means.

It is hard to speak of retrenchment — spending cuts, a tax increase — when unemployment is still over 7 percent. But that is what is needed. The textile bill is thought likely to pass; so may others. The administration is correct to oppose them, but it is not offering a strong alternative trade policy. Playing on the surface of the trade issue, it has resisted admitting the relationship between the budget deficit, which is a direct reflection of policy, and the trade deficit, which it has suggested is not. The president should take the lead in pointing out that the budget and trade problems are interdependent. It would strengthen his hand in dealing with both of these problems.

—THE WASHINGTON POST.

## Saying No to the Censors

Jean Kirkpatrick, former U.S. ambassador to the United Nations, is not one to be pushed around. So no one will be surprised to learn how she responded to a request by the State Department that she sign a pre-publication clearance form covering all her future writings. She simply said no. "It is an extraordinary document," she told *The Quill* magazine. "You could never write after signing it."

Mrs. Kirkpatrick is right, of course. Her plans for a book and a newspaper column, among other things, would be severely disrupted if every written word had to be submitted to a State Department censor before publication. In truth, it was not difficult for her to refuse to sign the waiver as she was walking out the door of government. She could not be fired, demoted or transferred for insubordination. But career employees of government and federal contractors who have special security clearances do not have her options. They are being pressured every day to sign this "voluntary waiver" of their rights.

No one wants former government officials to be able to divulge classified material in books and articles they write after retirement. That is not at issue. Nor are we concerned here about employees of the intelligence agencies,

who have for years been subject to special restrictions. What the government is now requiring is more radical. In spite of a strong negative reaction in Congress when the policy was announced by the president in 1983, and in spite of a temporary suspension of that presidential directive last year, all major agencies, including Defense, State, Agriculture, Commerce, Justice, Energy, Treasury and, yes, Transportation, are now requiring certain employees to sign lifetime censorship agreements.

Pre-publication clearance arrangements are a form of prior restraint enabling any administration to censor the books, articles, editorials and even the works of fiction written by former government officials. These arrangements impede the free flow of information about the operation of the government and encourage the suppression of criticism and debate. What can be done to stop them? Representative Jack Brooks, the Texas Democrat who chairs the House Committee on Government Operations, has introduced a bill that would prohibit any agency other than the CIA and the National Security Agency from requiring pre-publication clearance agreements from its employees. That bill should be passed.

—THE WASHINGTON POST.

## Other Opinion

### Reagan Displays True Grit

President Ronald Reagan's worst political enemies no less than his best friends wish him well in his recuperation from intestinal surgery and expect his recovery to be rapid and his return to the political scene sooner rather than later. He is a likeable man whose confidence and optimism are admirable.

The type of surgery Mr. Reagan underwent should not keep him away from his White House duties much longer than an extended summer vacation. Under White House Chief of Staff Donald T. Reagan and Vice President George Bush, there has been no change in the daily handling of presidential affairs.

No special post-operative treatment will be required by the president, and his physicians indicate that the cancer discovered in the section of colon removed on Saturday seems to have been contained. Mr. Reagan may even benefit politically from his bout with cancer. In 1981, after Mr. Reagan was shot, a massive upsurge in support was translated into support for his controversial tax cuts and other policies. Certainly Mr. Reagan's admirable demeanor in his current, difficult situation will help him politically. Some elements of his constituency were beginning to criticize him in recent days for not being tough enough in the hostage crisis and for his apparent willingness to compromise on both defense spending and Social Security issues. Those criticisms are likely to be muted for quite some time.

Since some of those critics are ambitious politicians who would like to be president themselves, this raises another topic for political speculation. Will the president's activities be changed in ways that give Mr. Bush more responsibilities and greater visibility? Would that work to his advantage vis-à-vis Representative Jack Kemp, Senator Robert Dole, Howard Baker and others interested in 1988?

Discussion of this sort is inevitable, even when concern is focused on seeing that there is

a full recovery by the president. Politics is politics and the president is the chief U.S. politician. But good presidents rise above politics on occasion. To be truly "presidential," one must. This is such an occasion and this president is good at it. He showed the nation how to be a victim of an assassination attempt with courage. Now he is showing how to be a cancer victim, and to inspire Americans with his gritty determination and optimism.

—The Baltimore Sun.

### An Embarrassing Aid Bill

The House of Representatives' foreign-aid bill does justice neither to American responsibilities nor to international aid requirements.

There are some positive elements — above all, the return to an emphasis on development assistance and a reduction of the military-aid component. But this may be the bill's undoing. President Ronald Reagan's spokesman insisted that this neglect of arms "is not in keeping with the real need and threat we face." That statement was faithful to past policies that have tilted the balance of aid to favor bullets.

Let them be accused in next year's election of cold-blooded Communism, however, Democrats have rushed in this legislation to join almost every anti-Marxist action in sight with a strong likelihood of doing more harm than good. The bill would authorize generous funding of guerrillas fighting Marxist regimes in Nicaragua and Cambodia, lift restrictions on aid to the South African-sponsored guerrillas fighting in Angola, and escalate aid to Afghan rebels.

There is bewildering inconsistency as the legislation darts from incredible intrusions into domestic affairs of some states to laissez-faire handouts. Jordan would be denied arms unless it accepted the congressional definition of Middle East good behavior, but Israel would be rewarded with \$6 billion basic support over two years — no strings attached.

—Los Angeles Times.

## FROM OUR JULY 17 PAGES, 75 AND 50 YEARS AGO

**1910: London Forecasts 'Opera War'**  
LONDON — The announcement that Mr. Oscar Hammerstein will invade London with grand opera in a new opera house which he will build himself is the main topic in the musical world here. London newspapers wonder how he is going to make his project pay. That, however, is Mr. Hammerstein's affair, and he is confident. It will be a three-cornered operation war here next year. The Royal Opera at Covent Garden is so firmly established that its directors look on Mr. Hammerstein's scheme with pity and incredulity. The Beecham Opera Company has been so successful that it has shaken up the dry bones of Covent Garden till they rattle. "Between the three of them," said a high authority in operatic affairs, "they will run the salaries of singers up so high that they will make grand opera practically impossible."

**1935: Jews Blamed in Berlin Riots**  
BERLIN — In connection with the recent anti-Jewish rioting in Berlin, two official statements were published [on July 16] which throw an interesting light on the methods pursued by the Nazis in the anti-Semitic campaign. After Dr. Goebbels' organ "Der Angriff" told its readers that "the Jews are in want of a hard fist," and that this hard fist meant that "the Jews will not dare again to demonstrate in Berlin," the headquarters of the state police here ascribed the anti-Jewish riots to "irresponsible elements" desirous of harming the Nazi state, and credited Nazi members with cooperating with the police in restoring order. Similar statements were made by Ludwig Uhland, leader of the Berlin Brown Shirt group, who issued a decree ordering his troops to abstain in future from any demonstration.

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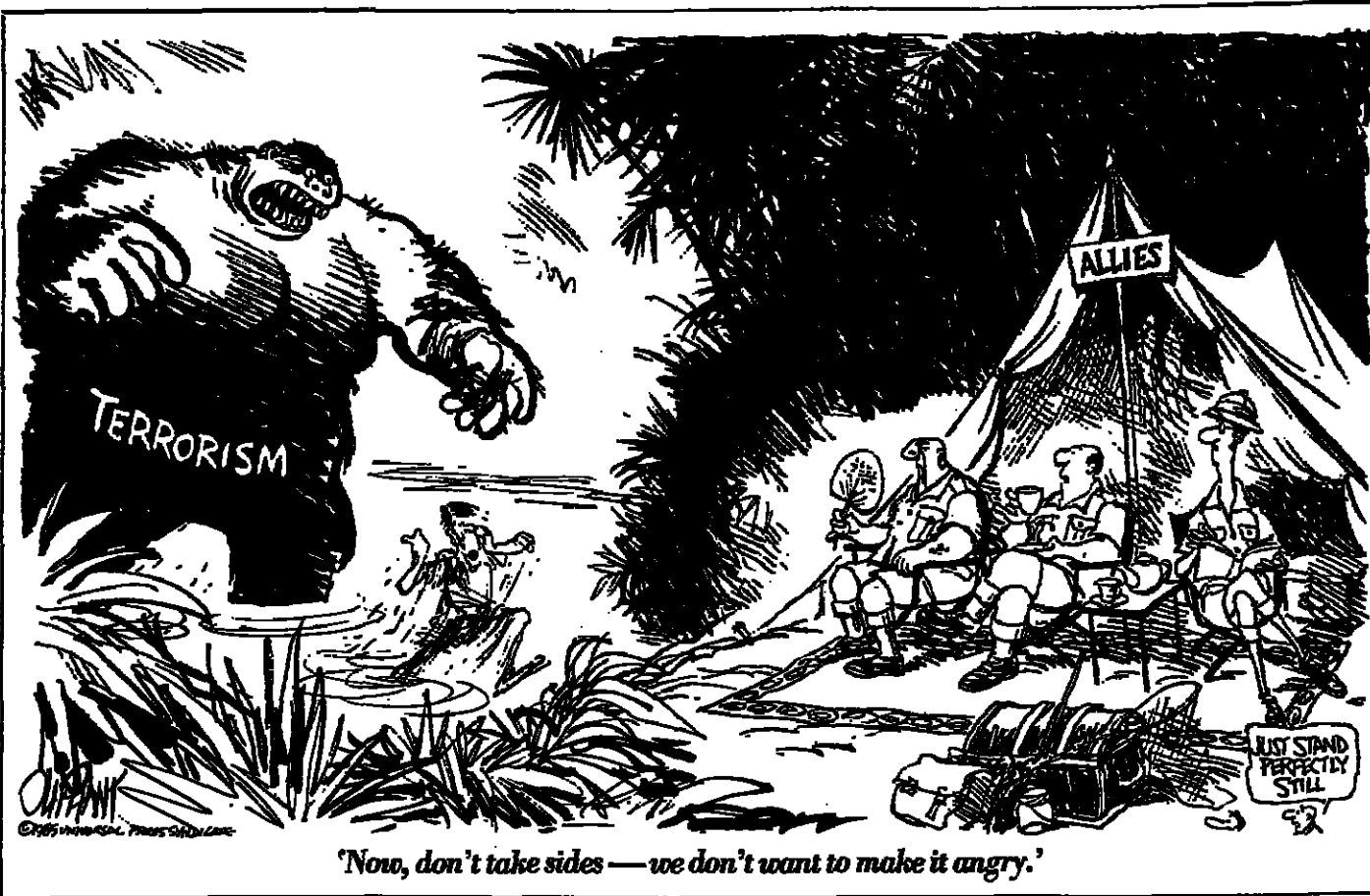
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## Africa: Ills of Dark Continent Can Be Cured

By C. Payne Lucas and Kevin Lowther

WASHINGTON — Slave traders, missionaries, explorers, colonial officials, journalists and aid workers have sent back images of Africa for hundreds of years. But all we seem to have are the negatives, opaque impressions of a dark continent growing darker. The prolonged drought that has afflicted most of Africa seems to confirm Western suspicions that Africa is dying.

Having accepted the gospel of Africa's endemic political instability and economic incompetence, we now have physical evidence that the continent is doomed: denuded landscapes, abandoned villages, spreading deserts, refugee camps and masses of starving, helpless people.

It is difficult to resist concluding that to save Africa from its fate is futile. But those of us who have spent many years working in Africa have ample reason to believe in its future. So do Africans.

They inhabit some of the planet's harshest livable environments. Yet, from Saharan nomads and rain-forest pygmies to Kalahari bushmen and urban shanty dwellers, Africans have a long history of adapting effectively to their surroundings. Africans are survivors. They have to be.

They have survived worse droughts than the latest one, in addition to the European and Arab slave trade and colonialism. And they will survive the apocalypse of mounting foreign debt, burgeoning population growth and the greatest threat of all: a rapidly eroding natural-resource base. It may be a generation or longer in coming, but Africa will rise above economic dependency and political decay.

Contrary to the patronizing and cynical Western consensus that Africans have made a hash of their independence, they have achieved much in a very short time. Having received a meager colonial inheritance of infrastructure, public services and trained manpower, they have vastly improved their people's access to education and health care.

As the last century to modernize, however, Africa is rushing to catch up. Mistakes are inevitable. Because Africa is thinly reported by the media, which focus on the "quick and dirty" story, we are mesmerized by accounts of the coups, corruption and natural disasters compounded by man. We do not learn much about the evolution of political systems appropriate to African conditions, about the ability of African farmers to coax food from the soil, or about the "soul" of Africa — the understanding of Africans' role in the cosmos.

The late Kwame Nkrumah, who led Ghana to independence in 1957, urged Africa to seek the political middle way. Expelling colonialism and creating African governments proved relatively straightforward. Mr. Nkrumah was not alone, however, in failing to realize that genuine African political systems and ideologies would have to develop through trial, error and civil conflict.

Africans are reconciling their established political traditions to the needs of the contemporary world. Western observers who lament the rise of one-party systems throughout Africa ignore the healthy competition that often prevails within. They have not sat beneath a baobab tree, listening to people gill a

candidate for parliament or discuss plans for building a primary school. Democracy is inherent in the consensual decision-making process customary at the village level in Africa.

If Africa offers numerous examples of political instability, it also provides several sanguine case studies. Senegal, Kenya and Botswana Grim as the situation is, Africa is too well endowed with natural and human resources to be written off. It has vast mineral reserves and food-producing potential. Although a relatively dry continent, Africa has more than enough water, if it is properly conserved, to support substantial agricultural and industrial develop-

ment. It also has enormous hydroelectric and solar-energy capacity. Africans have learned two hard lessons: First, national economies are built from the ground up, on a solid agricultural foundation; and second, farmers will grow surplus food if the market rewards them fairly. Most African governments have taken agriculture and the peasant farmer for granted. Many tended to rely on minerals or a single cash crop to earn foreign exchange. They also subsidized food prices for urban consumers, at the expense of low prices paid

to the producers. Now the African farmer is winning renewed respect.

Two other important lessons are dawning in Africa. Governments are becoming aware that concerted action must be taken to arrest widespread deforestation and soil erosion. A related challenge is Africa's mushrooming population, growing nearly 3 percent annually, compared with a world average of 1.7 percent.

President Kenneth D. Kaunda of Zambia once spoke of the gift of Africans in these terms: "They may be simple and unlettered people and their physical horizons limited, yet I believe that they inhabit a larger world than the sophisticated Westerner who has magnified his physical senses through invented gadgets at the price, all too often, of cutting out the dimension of the spiritual."

If you believe in Mr. Kaunda's vision, as we do, then you know the gods were not crazy when they placed mankind in Africa.

C. Payne Lucas is executive director and Kevin Lowther a regional operations officer for Africare, a private, non-profit development organization based in Washington. They contributed this comment to *The Washington Post*.

## U.S. Could Ease ANZUS Pact Strains

By Ernest Conine

LOS ANGELES — Close to six months have passed since New Zealand refused to allow a port visit by a U.S. warship on the basis that it might be carrying nuclear weapons, and Washington reacted by sharply curtailing military cooperation between the two countries.

Contrary to the impression portrayed by New Zealand, Washington has hardly behaved as an insensitive bully. But it is time to give the New Zealanders a graceful way out of the situation if they want one.

New Zealand enjoys a deep reservoir of good will in America, and most New Zealanders have not forgotten that, except for the U.S. role in the Pacific war, their country might now be a Japanese colony. Americans know that New Zealand fought in both world wars and since sent troops to Korea, Malaya and Vietnam.

For 34 years New Zealand's external security needs have been met primarily through membership, with the United States and Australia, in the ANZUS defense pact for the South Pacific. New Zealand helps with aerial and maritime surveillance of Soviet naval movements. Before the recent agreement it participated in annual ANZUS naval exercises with Australia and the United States, and U.S. warships made occasional port and recreation stops in New Zealand.

However, the United States has no nuclear bases in New Zealand, and wants none. Anti-nuclear sentiment has nonetheless become increasingly widespread. When the Labor Party entered office a year ago with a declared mandate to ban all vessels that were nuclear-armed or nuclear-powered, Washington was disturbed but did not react angrily.

Secretary of State George F. Shultz firmly said that there could be no alliance without port visits and that U.S. policy prohibited identification

of which warships carried nuclear weapons and which did not. Trying to give quiet diplomacy a chance, however, he said that no port visits in New Zealand were planned soon.

When the United States proposed a new ship visit six months later, it tactfully nominated the 25-year-old Buchanan, a conventionally powered destroyer. The ship may be capable of carrying nuclear weapons, but if Prime Minister David Lange had wanted to conclude that it did not, he could credibly have done so.

A veteran Labor Party politician commented the other day that he would have let the Buchanan in. But Mr. Lange, refusing to fudge the issue, banned the ship. Washington responded by canceling a scheduled ANZUS naval exercise, arranging with Australia for bilateral exercises in their place, and progressively cutting longstanding military ties.

Diplomatic relations are still courteous, but Washington has imposed a virtual freeze on high-level contacts. Moreover, U.S. forces do not always tell the New Zealanders when Soviet submarines are heading into their surveillance sector.

The U.S. countermeasures, considered harsh and uncalled for by New Zealand, have been applauded by Britain and Australia.

New Zealand's rationalization of the nuclear ban was disingenuous. Mr. Lange said, for example, that he was not asking or "expect to be defended by nuclear weapons." In the real world, the only threat to New Zealand comes from the rapidly growing Soviet fleet in the Pacific. And those forces are nuclear-armed.

If U.S. treaty guarantees mean anything at all, they mean that the American people are putting them-

selves at nuclear risk to protect New Zealand. It might be better for all concerned to tear up ANZUS, make a new bilateral arrangement with Australia and leave New Zealand free to look after itself in whatever ways that it judges best. But opinion polls suggest that this idea does not sit well with most New Zealanders. Suggestions that the United States should tell Mr. Lange privately whether a visiting ship is nuclear-armed or, failing that, not insist on port visits as a condition of military alliance within ANZUS, are unrealistic.

There are some stirrings of desire on the New Zealand side to patch things up. The Lange government remains unbending in its public stance. But it has grown uncomfortably aware that defense spending will be higher outside the alliance than within. There is also concern that New Zealand's farm exports may grow more vulnerable to protectionist moves by Congress if it loses allied status.

Reasonable people should be able to work out an accommodation. Washington could help by reopening the dialogue and perhaps readmitting New Zealanders to U.S. military-training facilities. If the response were positive, the United States could again propose a port visit by a small warship, giving Mr. Lange another chance to say yes.

It might turn out that the present New Zealand government simply lacks the will and political flexibility to make an accommodation on anything but its own terms.

If that proved the case, America and New Zealand should remain friends, valued trading partners and fellow champions of democracy. But the basis for a military alliance would be gone, and Australia and the United States would be well advised to close the book on ANZUS.

—Los Angeles Times.

## Coke's Move Gives Soda-Pop Politics a New Twist

By Kurt Eichenwald

NEW YORK — With all the hoopla about the escalating cola war, one topic has been ignored: the political implications.

As with the political parties, there are only two major players: Coca-Cola, the drink of Democrats, and Pepsi-Cola, the Republicans' refreshment. Sure, there are third-party colas, but as in politics, they are not much to speak of.

This soda-pop politics is not coincidence. Coca-Cola has been the undisputed majority cola since the New Deal. The cola company was formed in 1932, when the Democratic National Chairman, Postmaster General James Farley, left the administration to become chairman of the Coca-Cola Export Corp. He had quarreled with Franklin D. Roosevelt over a third term.

The sugar rationing of World War II could have brought the entire cola industry to its knees, but Mr. Farley's political connections helped Coke escape the rationing. Coke was declared a war priority item, and at the end of the war Coke had 64 bottling plants built around the world — all at the government's expense.

Pepsi realized by forming a political alliance of its own, with a little known junior Senator from Wisconsin, Joseph McCarthy. In a battle that foreshadowed his later anti-Communist crusade, "the Pepsi-Cola Kid" fought for an end to rationing. His usefulness came to an end, however, when it was revealed that Pepsi's Washington representative had given him \$20,000.

Pepsi soon forged a more successful political

alliance, with Richard Nixon, who was then Vice President. Thanks to some pushing by Pepsi's chairman, Donald Kendall, Pepsi was the only soft drink represented at the American International Exposition, the site of Mr. Nixon's famous "Kitchen Debate" with Nikita Khrushchev. Mr. Nixon even got Mr. Khrushchev to drink some Pepsi — an event seen by millions.

When Mr. Nixon's political career faltered in the early 1960s, Mr. Kendall bailed him as an international ambassador for Pepsi. Then, as Mr. Nixon gained momentum in the late 1960s, Pepsi sales went right along with him. In 1968, when the Democrats lost the presidency, Pepsi machines were installed in the White House cafeteria. In 1971, Mr. Nixon sent Mr. Kendall to Moscow, and Pepsi became the first U.S. consumer product sold in the Soviet Union.

Meanwhile, Coca-Cola, based in Atlanta, was looking for another Democrat to support. It found a hometown boy. During Jimmy Carter's long march to the White House, he used Coca-Cola money. Coca-Cola jets and Coca-Cola's advertising company. When he was elected, the Pepsi machines in the White House were replaced by Coke machines. Coke also used its Carter connections to take China, just as Pepsi breezed into the Soviet Union with Mr. Nixon.

In 1979, Pepsi finally overtook Coke in total corporate sales, and the Republican Party began dreaming of realignment. Not long after, Phil Dusenberry, the man in charge of Pepsi advertising, was recruited by "the Tuesday Team," which devised Ronald Reagan's advertising in the 1984 campaign. Pepsi and Republicans developed a strategy for yuppies — the "New Generation."

Coca-Cola did what any Democrat in trouble does — hire political advisers. Pat Caddell, Democratic pollster, and Scott Miller, media strategist for John Glenn's presidential campaign, were brought in to study a new Coke. Bob Shrum, who wrote Ted Kennedy's speech at the 1980 Democratic convention, was hired to write speeches about the new Coke formula.

But the 1980s brought problems for both Coke and the Democrats. New ideas alienated old constituencies, and talk of realignment filled the air. The Democrats' answer was to reaffirm their commitment to the old New Deal constituencies but also to encourage neo-liberals to stay with the party. Coke has now tried the same schizophrenic approach: Last week, it brought back the old Coke in a new can but will still sell new Coke.

Will this two-track approach give the Democrats what it takes to push to recapture the White House? It's tough to say. The latest figures on cola sales aren't in yet.

The writer wrote speeches for Walter F. Mondale during the 1984 presidential campaign. He contributed this comment to *The New York Times*.

## Democracy In Israel: A Bad Joke?

By Danny Rubinstein

JERUSALEM — The conviction, last week of 15 Israeli Jews for three of them for murder and 12 for other violent crimes against Arabs, was deeply upsetting for Israelis. Whatever one thought of the conviction, which was the first time the Israeli judiciary had moved against Jewish terrorists, the episode fans fears that Israeli democracy may be threatened by unstoppable currents of lawless prejudice and brutality.

This summer, the first Israelis born after 1967 when Israel occupied the West Bank and Gaza, will be drafted into the Israeli Army. Meanwhile, opinion polls indicate that some 42 percent of Israel's youth "agree" or "agree completely" with Rabbi Meir Kahane's racist call for expelling the 1.5 million Arabs in the territories.

Since Rabbi Kahane's election to the Knesset last year, the Israeli establishment has mobilized to counteract his influence with programs to "teach democracy." The state educational system, several private research institutes, public foundations, the army, the Jewish Agency and the Knesset are all involved in this effort. Nevertheless, it appears that Rabbi Kahane's popularity is increasing, particularly among youth.

I myself participated in the campaign for democracy, meeting with high school students, soldiers and officers, and my impression is that it has almost no chance of success.

In one meeting with Jewish and Arab students, a youth from a kibbutz asked: "Do you think that the Arab citizens of the state of Israel deserve equal rights?" I was completely taken aback and dismissed his question rather brutally. For me, it was like asking whether the sun should rise tomorrow morning. What I realized later was that most of the students probably did not even understand why I was angry.

The concern for democracy, and for the pernicious influence of Rabbi Kahane, is shared by virtually all political parties and ideological camps in Israel. Bitter rivals have come together proudly in a "consensus," condemning the rabbi and his teachings. In reality, however, nothing has been achieved. What kind of accomplishment is it to reach a national understanding that Nazi-like racism is bad?

The truth is that there is no consensus on the fundamental question facing Israel today: whether we are willing to sacrifice democracy for the sake of holding on to the territories. The national consensus for condemning Rabbi Kahane and teaching democratic values merely allows us to evade this most difficult issue.

Meanwhile, daily life in Israel teaches just the opposite of democratic values. The 1.5 million Arabs in the territories have been living under Israeli occupation for 18 years — living alongside Israelis without sharing their rights. Our young people have grown up believing that national struggle, terrorism and lawful discrimination are facts of life. Under such circumstances, how can one hope to teach democracy?

Several years ago, during a crackdown on a dockers' strike, the leader of the striking union appeared on television and criticized the police. "How dare they treat us like this. Are we Arabs from the territories?" He articulated what many of us understand: that it is possible to divide rights and democracy in Israel today.

A dismissed Arab laborer from the territories receives none of the unemployment benefits that his Israeli counterpart gets. Israeli Arabs receive only part of the child allowances that the state pays to Israeli Jews. Arabs from the West Bank and Gaza receive none. The same discrimination runs through all aspects of life, and it is justified as a response to Israel's special security situation.

Israelis often defend such discrimination by arguing that Arabs do not serve in the army and that whoever does not fulfill all his duties cannot enjoy all his rights. But few Israelis are willing to draft Arabs, for they fear that they would not be loyal to the state. It is a circular, unprovable claim, a vicious Catch-22.

Against this background, what is the point of preaching equality and democracy? Without some basic change in relations between Arabs and Jews, what can we Israelis expect but more terror, more fanatical undergrounds and more Meir Kahane? The campaign to teach democracy in Israel is no more than a bad joke.

The writer is on the staff of the Israeli newspaper, *Davar*. He contributed this view to *The New York Times*.

## LETTER

### Science Fiction Wedding

Regarding the report "Iran and Syria Nurture an Uncertain Relationship" (July 6):

Your account of "temporary marriages" between poor Syrian men and Iranian widows, in order to bring forth future male martyrs for Ayatollah Khomeini's war effort has all the hallmarks of a good story. However, it is almost certainly not true.

Any Islamic scholar will tell you that there is no special Shiite custom of "temporary marriages." What is a common practice, in both Sunni and Shiite Islam, is for male guides at their unaccompanied female visitors for the sake of propriety. Of course, such "marriages," which have no legal validity, are in no way consummated. The bureau at the Shia mosque is probably just the grease hat, and any financial arrangement are no more strange or sinister than those which go on everyday between the tourist and guide anywhere.

The story that the male children of these unions are to be returned to Iran has the quality of science fiction.

NICHOLAS MARSH

London



## ARTS / LEISURE

## A Novel 'Lulu' in Munich: Worth the Wait

By David Stevens

MUNICH — The Bavarian State Opera did not join in the general rush to stage the full three-act version of Alban Berg's "Lulu" after the Paris premiere in 1979. But, having waited, it played a handful of trumps in staging it for the opening of the Munich Opera Festival this year, the centenary of the composer's birth.

This staging offered a number of novelties, not least the soprano Catherine Malfitano making her Munich debut — triumphantly — in her first appearance in the daunting title role. The production was staged and designed by Jean-Pierre Ponnelle, also approaching the work for the first time; and Friedrich Cerha, who completed the unfinished third act, was conducting the opera for the first time in a major theater.

The American soprano made a gaudy entrance, sliding down a rope from the flies to the stage with all the repulsive seductiveness attributed to her in the prologue. The aplomb with which she pulled off that circus stunt was just a foretaste of an impressive artistic accomplishment. She swept through the role as if it held no serious vocal problems, not only singing with secure and glowing tone (a couple of extreme-top squeals aside), but communicating the text with expressiveness and clarity.

Ponnelle's staging was brilliant and at times irritating. Everything took place in the same basic set, a semicircular, four-story metallic structure, each level with a row of doors opening onto a gangway and the different levels linked by circular stairways at each side. This served more or less successfully as the menagerie of the prologue, a theater, Lulu's various dwellings, the jail of the film sequence of the second act, the Paris gaudy establishment and the hotel of the final scene, a kind of abandoned jail.

On the practical side, the different levels of the set helped clarify the action and the multiple doors speeded the farcical comings and goings of the first scene in Dr. Schöen's house, a symbolic level. Ponnelle filled the upper floor, with silent onlookers all in white, witnesses of a social circus or sometimes participants — they threw shredded paper down on the set of the stock-market debate in the Paris scene, and the succeeding final scene was played out in the resulting rubbish.

The symbolism of Lulu's portrait ranged from a stage-filling face peering voyeuristically, to a smaller, Expressionist visage that, torn from its frame, was used by Jack the Ripper as a hand towel and, finally, as the shroud of the tragic Countess Geschwitz.



From left, Brigitte Fassbaender, Catherine Malfitano and Franz Mazura in "Lulu."

Finally, as the shroud of the tragic Countess Geschwitz.

Ponnelle's direction of the actors ranged from realism to caricature, as if the blood-soaked farcicality of Frank Wedekind's original Lulu plays were not far in the background. Some additions were gratuitous, such as a virtuoso stunt fall from the second level for the heart-breaking death of Husband No. 1; or dramatically deflating, such as the theater scene, in which Dr. Schöen's socially respectable fiancée was not only made visible but engaged in an unrespectable sign-language slanging match with Lulu. The scene did not end in the sexual tension of Schöen's humiliation, marvelously built up by Malfitano and Franz Mazura, but in a pratfall by the failed fiancée.

The touch of exaggeration was carried out also in Pet Hammen's costumes, whether the bright red — from hair to glittering gowns — that was Lulu's trademark, the granitic fantasy of the African explorer prince's getup or the fer for the white-slave-trading Margus.

Since the Paris performances, Mazura has made the dual role of Dr. Schöen and Jack the Ripper his own. As Lulu's one real love and the instrument of her death, Mazura used his strong physical presence and opaque, almost raw-sounding bass-baritone to powerful effect in the third performance Saturday. Brigitte Fassbaender was an imposing Geschwitz, although her final lines

were less sung than harshly declaimed. Alfred Kuhn was a study in heavy-lidded grossness as the Animal Tamer and the Abbe, and the tenors Claus H. Ansgö as the Painter and Jacques Trussel as Alwa gave good accounts.

It is almost a tradition in Munich not to let great singers retire, which results in some interesting and luxurious casting. Hans Hotter, the greatest Wotan of the last four decades, turned up as the mysterious, wheezing Schigolch — a role usually allotted to an Albeniz-type; the result was not the usual dirty old man, but a fatherly and sympathetic figure. And, in a few seconds, Astrid Varnay, she of many Isolde and Elektras, made a tangible character, tipsy and knowing, of the almost invisible part of the theater wardrobe woman.

Cerha must know this score more intimately than anyone, and his musical direction showed it. He is as much composer and pedagogue as he is conductor, and his way with the score was more analytical than passionate — pulling back the veil of Berg's late romanticism to make the inner workings audible.

Another festival highlight was a revival of Richard Strauss' "Der Rosenkavalier" with a cast of the first caliber. Lucia Popp, a former Sophie, has graduated gloriously to the rank of Marschallin, singing

with creamy tone and acting with charm and subtlety. She was surrounded Sunday by Fassbaender's convincing Octavian, Helden Donath's gleamingly bright-toned Sophie and Hans Sotin's richly sonorous Ochs (stepping in for the scheduled Kurt Moll). Jiri Kout, succeeding Carlos Kleiber in the pit, proved a Straussian of the same authentic mold. The production is 13 years old, but Jürgen Rose's sets and costumes are still splendid and Otto Schenk's staging surprisingly fresh.

The baritone Dietrich Fischer-Dieskau is in his 60th year, and his interpretations of Schubert's "Winterreise" song cycle go back more than half of that time. Sunday morning he returned to this challenge, singing with an intense intimacy and expressiveness that more than made up for any inroads time has made on the voice. Hartmut Holl was the splendid pianist and co-interpreter.

Another highlight of the festival, which continues through July 31, has been an outdoor production in the Alter Hof of Carl Orff's "Die Bernauerin," along with an exhibition commemorating the late composer's 90th birthday. And on July 22, Wolfgang Sawallisch will conduct the world premiere of "Le Roi Béranger" by the Swiss composer Heinrich Sutermeister, based on Eugène Ionesco's "Le roi se meurt."

## DOONESBURY



## Bacall Soars in Pinter Production of 'Sweet Bird'

By Sheridan Morley

LONDON — Not the least of the many achievements of Harold Pinter in his new Haymarket production of "Sweet Bird of Youth" is to give us the first time, live and in person, Alexandra Del Lago, the Princess Kosmonopolis herself. In the gallery of Tennessee Williams' great, doomed and ravaged heroines, hers has always been a rather shadowy figure: Geraldine Page played her on screen and Broadway as a muted has-been, and in Britain the play has been memorably seen only once, at Wat-

## THE LONDON STAGE

ford, where, intriguingly enough, the role was taken by the late Mrs. Pinter, Vivian Merchant.

Now, in Lauren Bacall's memorably extravagant portrayal, we get an even mix of Lady Macbeth and the Lady of the Camellias. To hear Bacall's throaty intonation of this new "Sweet Bird of Youth" is alone worth the price of a ticket. There is, however, a lot more here than a blazingly good central performance. "Sweet Bird of Youth" was Williams' most outspoken attack on the Southern discomfort that had always been at the heart of his writing, and what Pinter has seen is a play about the castration not just of men but of careers and ideals and nations.

It starts a little slowly, with Bacall and Michael Beck, two visitors (to the London stage and to the small Chalfont town where the play is set), edging their way hesitantly into a duologue so full of pauses that for a fearful moment we seem to be in Pinter rather than Williams territory. It is, oddly enough, as English players take over (in above-average American accents) that the play races into life. James Groux's Big-Daddy boy is a gargantuan villain surrounded by suitably seedy henchmen; with them, and Williams' wonderfully prodigal use of two dozen supporting players, we are off and running into a tale of political corruption and sexual agony, so that by the time the princess and her blood ghoulies are back, they are playing at twice the speed of their first encounter.

Borrowing from Hart Crane, Williams once called his "Bird" "a relentless caper for all those who step the legend of their youth into the room" and that is precisely the mood Pinter and his company keep alive through this sprawling saga. Even the usual embarrassment of Chance Wayne's final speech to the audience is avoided. The poisoned treacle of Williams' prose has seldom been better poured or more lovingly manured.

A new "Duchess of Malfi" marks the much-

heralded arrival at the National Theatre of a new acting company led by Ian McKellen and Edward Petherbridge, but it is in fact mainly notable for bringing to the South Bank (and high time) the considerable and often exotic talents of the Glasgow Citizens' director and designer, Philip Prowse. Indeed, one of the main indictments of a closed-shop directing policy at the Royal Shakespeare Company and undventurous recruiting by the National has been that Prowse is so seldom to be found in England. When he is, as last year at Greenwich or now at the National, the result is never less than mesmerizing. He is so far ahead of his contemporaries in theatrical flamboyance and designer flair that one would probably have to go back to Orson Welles at the Mercury to find a young stage artist of comparable power.

That does not mean, of course, that one has to like or agree with everything Prowse does. His cavernous decaying-church setting for this new "Malfi" leads to moments of startling inaudibility, and his casting of some very strong stage figures (Sheila Hancock, Roy Kinnear, Hugh Lloyd and Selma Cadell) in relatively minor roles is apt to unbalance the central quiet. Petherbridge is an increasingly camp cardinal and McKellen a darkly sneaky Bosola, but Jonathan Hyde has yet to come to terms with the Duke in darkness, and Eleanor Bron, surrounded by a rent-a-crowd mob of loonies for the mad scene, manages to make "I am the Duchess of Malfi" still sound like a program note rather than a cry of survival under appalling pressure.

Hers too is a performance that has yet to come into its own, but in this rich, decadent, sinister, shadowy, ritual staging there is the constant sense of brooding, atmospheric evil and of religion in decay that essentially has to be what this political melodrama is about. The first night said a lot more about Prowse than about whatever plans McKellen and Petherbridge may have for their new team, but they are to be hugely congratulated for getting him there and allowing his unique classical vision to pervade the Lyttelton for the first time.

Since old musicals are playing at roughly one of every three mainstream theaters in London, it is perhaps not surprising that Broadway stocks are becoming somewhat depleted. We therefore have no less than three old American sing-alongs in the West End that were never meant to be stage shows at all. "42nd Street," "Singin' in the Rain" and "Seven Brides for Seven Brothers" all set out to be films, and only the first has ever achieved a later and successful stage life in the United States. "Singin' in the Rain" is at

best a doubtful prospect on Broadway this summer, and "Seven Brides" died there several years ago after a couple of performances.

The "Seven Brides" that we now have at the Old Vic is, however, an altogether English attempt to get that score in front of a stage audience. It started out at the Theatre Royal in York 15 months ago and now after a long tour is in London for the summer, presumably to catch nostalgic tourists with vague memories of beautiful hides being blessed in the great outdoors.

The problem is that a film musical never comes together the way a stage musical does. "Seven Brides" has a patched-together score with the old movie hits and a few innocuous new numbers added, yet it never quite manages to overcome its camera origins.

This was always meant to be an answer to the Broadway musical, not a replica thereof. After years in which all they had been required to do was photographic replicas of old stage shows, Hollywood cameramen and choreographers in the middle 1950s desperately wanted to show what the screen could do. While Fred Astaire and Judy Garland persevered with old stage shows, a new generation led by Gene Kelly and Stanley Donen created musicals purely for the camera. Their triumph was "Singin' in the Rain"; a few years later, Donen and the choreographer Michael Kidd devised "Seven Brides" as a great celebration of the wide screen and of the vast outdoors of 19th-century Oregon.

The film's dancers were a team of considerable distinction, led by Russ Tamblyn and Tommy Rall, and its climax was a huge number called "Raising the Barn," which the Old Vic production wisely does not attempt even in miniature. Accordingly we are left with the Johnny Mercer songs, a token choreographic attempt to recreate one of the great screen dance-fights of all time, and an air of vague provincial jollity, which is not quite the same thing. "Seven Brides" never had much of a plot (what there is appears to be a parody of "The Sabine Women") but it did have a soaring sense of what the wide screen and a great choreographer could do for a camera.

What we now have is an English rep company trying to remember how "Oklahoma" was done. It has an endearing and almost amateur quality, as if teen-agers at a camp concert determined to do the show right here. But when Garland and Mickey Rooney did it, they had the vast technical and musical resources of MGM behind them, which brings us back to the central problem: trying to do big-screen musicals on a small stage and an apparently even smaller budget.

## Results of Tokyo Vote Seen as Boost for Nakasone

By Clyde Haberman

New York Times Service

TOKYO — Although his name was not to be found on the ballot, Prime Minister Yasuhiro Nakasone appears to have emerged as the big winner in Tokyo elections that were won by his Liberal Democratic Party.

Tokyo's voting pattern is regarded by many Japanese politicians as a guide to national trends. So Liberal Democrats were heartened by the impressive gains they registered in the balloting here on Saturday.

They hoped the results signified that the time was ripe for them to call elections to the Diet, or parliament, and reverse the sharp loss of seats they suffered in December 1983.

Politicians and other analysts said the Tokyo campaign was a boon for Mr. Nakasone in particular because he had a large personal stake in deciding if, and when, to declare a general election for the Diet's powerful House of Representatives.

Many commentators said they believed a strong showing by the Liberal Democrats might improve Mr. Nakasone's slim chances of altering party rules that prevent him from continuing as leader when his present term expires in late 1986.

Because the party, a coalition of conservative factions, has governed Japan since 1955, its president is all but assured of becoming prime minister.

Although technically a local event, the nine-day Tokyo campaign was treated like a national

referendum by the major parties. Their leaders, including Mr. Nakasone, took to the streets to seek voter support.

Tokyo has 8.5 million eligible voters, or 10 percent of the national total. Moreover, as the equivalent of Washington and New York, Tokyo is where the capital can set electoral moods for the entire country.

There were no big issues, and that left candidates to campaign in time-tested Japanese style. They cruised the streets in sound trucks, blaring out their names in the hope that voters would remember them.

In the end, the Liberal Democrats increased their strength in the 127-member Tokyo Metropolitan

Assembly from 51 seats to 56. Their share of the popular vote, 36 percent, was 1.5 percentage points higher than in the last election, in 1981.

The party obviously commanded far less than a majority, but it retained a solid plurality and dominated a coalition under the conservative administration of Governor Shunichi Suzuki. Mr. Suzuki himself was not up for re-election.

One discouraging note for the Liberal Democrats was the record low turnout of 53.5 percent. The low turnout continued a trend seen in national elections two years ago. The governing party usually fares less well when voters stay home.

The results Sunday improved the chances that, if Mr. Nakasone does call a House of Representatives election, he will wait until next June, when balloting must also be held for the Diet's upper chamber, the House of Councillors. In the past, so-called double elections have led to high turnouts and solid showings by the Liberal Democrats.

Other parties that did well were the Komeito, which is Buddhist-oriented, and the Japan Communist Party. These parties run tight organizations that tend to be particularly effective in local elections.

The Komeito gained two seats, to finish second in the overall distribution with 29. The Communists gained three seats, finishing third with a total of 19.

The Japan Socialist Party, the main opposition group nationally but a consistently poor performer in Tokyo, was the major loser, losing four seats and ending up with a total of 11.

In the remaining contests, the New Liberal Club won six seats, the Democratic Socialist Party won two, and independents four.

Mr. Tatsumi is now a columnist with the independent Business Day newspaper. He said after his arrest that it was the Marcoses, "whose enormous wealth at home and abroad cannot be explained, who should be criminally prosecuted."

## Ex-Manila Minister Arrested

MANILA — A former Philippine information minister, Francisco Tatsumi, was arrested Tuesday on graft and corruption charges. He was held for six hours before being freed on bail.

Mr. Tatsumi, who served in the government of President Ferdinand E. Marcos for 10 years until 1980, was arrested after writing an article sharply critical of Mr. Marcos and his wife, Imelda. He posted bail of 23,000 pesos (\$1,250) and is to appear in court again Monday.

Mr. Tatsumi, 45, said he would ask the court to dismiss the case, which he termed political persecution.

The five charges against him say he committed irregularities when he was a cabinet member. These include receiving money for a printing contract he had awarded and failure to declare his assets as a minister.

Mr. Tatsumi is now a columnist with the independent Business Day newspaper. He said after his arrest that it was the Marcoses, "whose enormous wealth at home and abroad cannot be explained, who should be criminally prosecuted."

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## Shultz Applauds Fiji For Decision on Ships

The Associated Press

SUVA, Fiji — U.S. Secretary of State George P. Shultz told Fiji on Tuesday that it had taken a "bold and wise" decision in reopening its ports to American warships.

Mr. Shultz, speaking during a stop on his return to the United States from Asia and Australia, said the United States was "particularly grateful" to Fiji for this gesture toward regional security.

Fiji's decision last year to lift a ban on visits by U.S. nuclear warships had made "peace in the Pacific more secure," he said.

Mr. Shultz's comments contrasted with those he made in Canberra, Australia, on Monday about New Zealand's affirmation of its policy to ban nuclear-powered or nuclear-armed warships from its ports.

He said that New Zealand's anti-nuclear stance could force the United States to review its obligations to New Zealand under the ANZUS treaty, a defense pact between Australia, New Zealand and the United States.

Fiji's prime minister, Sir Ratu Mara, met Mr. Shultz at the airport and said the United States was a "friend of all in the South Pacific."

Sir Ratu Mara said Fiji and its allies would continue to depend on the United States to "help safeguard the peace and stability of our region. The continued tranquility of the Pacific is important to us all if we are to proceed unperturbed with our development."

Traditional Fijian welcome ceremonies, including the offering of the island brew called kava, took

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## INSIGHTS

## Company Scandals: For Workers, Disbelief May Give Way to Defiance

By N.R. Kleinfield

New York Times Service

NEW YORK — He cannot think about it without irritation. He is loath to go on at any length. Frankly, he is sick of it.

"We talk about it all the time," he said. "We're in the papers on a daily basis. How could you not talk about it?"

The man is an executive at E.F. Hutton. The "it" is the check-kiting scandal that has engulfed the brokerage firm recently.

"Am I frustrated?" he asked. "Oh yeah, I'm frustrated. There has to be frustration when you see the name of the firm you work for dragged over the coals day after day."

The fear hovers over the employees of any company. One day, a nightmare comes true. Someone is exposed for cooking the books, an executive bribes a government official, people die from something the company made — and all the years of nourishing an image as a corporate citizen in good standing are destroyed. It's like a shiny bowl rusting overnight.

Much has been written about Hutton, Union Carbide, General Dynamics, General Electric and other companies that are operating under a cloud of scandal. About what the leaders are doing to shore up the businesses. About the vicissitudes of the stock price. About the extent of financial liability. The dry and impersonal mathematics of calamity.

Relatively little attention, though, has been drawn to the individual traumas of the people who go up and down the elevators each day, how those traumas affect the companies, and what corporations try to do to counteract the negative effects.

Yet it is here, inside these corporations, that the aftereffects of scandals often linger longest. The challenge for management is to keep the impact as brief and slight as possible.

Many scandal-ridden companies are trying to do just that. The chairman's soothing comments issue forth from loudspeakers, while his face appears to workers from strategically placed video machines. Letters, memos, even newspaper advertisements tell employees again and again that they work for a decent company, and that they, too, are decent people.

But behind the conciliatory rhetoric often lies an iron determination to make sure that no employee errs again. GE, for one, followed its spate of internal memos by imposing a new regimen of more rigorous safeguards against employee wrongdoing. McDonnell Douglas, Allied and others started internal ethics courses after their names were dragged through the mud. Still other companies have called for the resignation of a top manager, or of a handful of managers, to prove to the world — and to their own employees — that they will quickly excise anyone who besmirches the company name.

But while all of those moves help, none of them cures. And in general, the result of a corporate scandal is that employee morale sinks. Productivity may decline. Too often, once-proud employees find themselves embarrassed to admit to strangers where they work. One employee of E.F. Hutton has stopped wearing his Hutton T-shirt when he goes out jogging.

"The sense that a company is an impersonal entity is not so," said Boris Yavitz, a professor of public policy at the Columbia University Graduate School of Business. "People do have a feeling that their organization has egg on its face. People feel embarrassed. They may not go the extra mile for the company."

Desertion is not uncommon. Scandal is a tip



Cathy Hall/The New York Times

to the headhunters to pick up the phone. As one recruiter remarked, "Anything that's wounded gets attacked."

Companies, of course, have been getting wounded for years. And though there is no way to undo the pain and wrongdoing they may be responsible for, they sometimes discover that adversity instills better values for the future.

FEW crimes have rocked blue-chip corporations as deeply as the price-fixing and bid-rigging conspiracies in the electrical manufacturing industry in the early 1960s. GE, the most prominent of the conspirators, saw three of its executives trooped off to jail; eight others got suspended sentences. Though the chairman and president were not convicted — both said they were ignorant of the misconduct — many employees remained dubious that the ultimate bosses could be unaware of such events. Some employees left; a lot of positions were shuffled. Employees faced mixtures of scorn and sympathy in their communities.

"Life magazine had this big picture one week of one of the vice presidents in jail," recalled an executive no longer with GE. "That had a very shocking effect on people. It made some people

wonder whether this was where they wanted to work."

Another GE employee who was with the company during the price-fixing days recalls reacting to the jailing of a GE vice president who had been a local fund-raiser for the Jesuits. "There was more compassion than anger," he said. "It was more a sense of what a tragedy this is."

Even today, the scandal is still haunting the company. "These things are substantially demoralizing," said Thomas J. Peters, the co-author of "In Search of Excellence," a book about America's most successful corporations, "but also potentially substantially cleansing. At GE today, there is still fallout from that price-fixing. The fear of that is still very much visible. There are topics of conversation that are out of bounds at GE — things like relative prices — that aren't out of bounds at other companies."

When a crisis engulfs a company, its employees pass through phases, not dissimilar to the experience of coping with a failing relative. At first, there is shock, even disbelief. Three years ago, Thomas Lundell, a controller at Manville Corp., was on vacation, when he heard on the radio that Manville had filed for bankruptcy

protection to stave off the swarm of suits claiming illness from asbestos.

"I didn't believe it," he remembered. "I thought it had to be wrong."

But it was true. Mr. Lundell said he felt morose at first, jittery about his own future. "But then," he added, "there was a sort of feeling of, hey, maybe this is what the company needs to get back together."

The initial impact on most employees is almost always jarring. "People are certainly less proud of the company and want to divorce themselves somewhat from it," remarked Harry Levinson, a psychologist who heads the Levinson Institute. "This happened in the 1970s with OPEC and the employees of the oil companies."

Mr. Levinson, who was a consultant to Sun Oil at the time, recalled the way employees reacted: "Some would go to cocktail parties and didn't want to identify who they worked for. There were allegations of oil companies manipulating prices on tankers in the middle of Delaware Bay and gouging the public. So they would say they worked for Sun Ship Building, the ship building subsidiary of Sun, even though they knew nothing about building ships."

There is, though, a coiled-spring force that causes employees to rally quickly in defense of their provider. "There is a we-they mentality that develops after these sorts of things hit," an executive recruiter notes. "Employees really get their backs up and defend the company, even if they're not sure it's blameless."

After the disaster in Bhopal, workers near a Union Carbide plant in Institute, West Virginia, went on the offensive. A widow of one employee had thousands of bumper stickers made up reading, "I Am a Carbide Supporter," and she doled them out around town.

HOW well have most corporations behaved when caught in the web of scandal? Rather poorly, in the opinion of many corporate observers.

"To my mind," said Tom Peters, "the poor handling boils down to why Nixon got toppled in 1974 and that can be summed up in one and only one word — 'stonewalling.' You're a damned fool for not telling the truth."

"I was around the Hooker Chemical people as a consultant when Love Canal broke. One of the Hooker people I was around was a decent man. His instinct was to do at least the small things — spring for moving the people into the local Holiday Inn. Occidental Petroleum had bought Hooker before the incident and the Occidental people said no way, because that would be an admission of guilt. And that's pure rubbish. This man was quite angry."

Frank Doyle is the vice president in charge of corporate relations at GE. In that capacity, he has been overwhelmed by the repercussions from the latest image bruising, the military contract scandal.

"The impact, I think, has been sobering but not devastating," he said. "Concern, a feeling of loss of reputation by association but not by personal behavior."

Mr. Doyle said there has been anecdotal, though no statistical, evidence that it's been a bit tougher to recruit engineers for military work. "We've had a half-dozen incidents where someone said, 'No, I don't think I'll take that job. I'll go work for someone else,'" he said.

To minimize the effect on employees, GE set into motion some feverish activity. After every development in the case, a new letter went out to employees, signed by the chairman and the two vice-chairmen. Beyond chronicling the bare facts of the mess, they adopted the tone that had applied in any barrel. "In any large organization," one read, "people may make errors in judgment. These must be viewed in relation to the extremely good reputation of our company and its people."

Still, the letters had the tenor of a sermon, meant to dissuade the flock from future sins. One massive said: "Our integrity is at the core of our business reputation, and everything that affects it is a challenge to all of us. We must do everything within our individual and collective

powers to prevent another such incident. It is no solace to say that errors can occur in any human system."

Employees, according to GE, welcomed the communications. Some even asked if they could show the letters to customers and the press, and they were encouraged to do so.

Beyond the preaching, more rigid policies were imposed. A review board was created. An ombudsman was appointed. A videotape of an interview conducted by Mr. Doyle with John Welch, the chairman, was sent to all plants. It showed a tired Mr. Welch giving pretty much the same message presented in the letters.

A few years earlier, Manville took a similar tack when it blanketed employees with messages from the top at a time when spirits were being battered by asbestos litigation and a sudden bankruptcy filing.

Once Manville decided to petition for protection under bankruptcy laws, it bought advertisements in 68 newspapers around the country and inserted uplifting messages. At company head-

## Employee morale

sinks. Productivity

may decline.

Employees may find

themselves

embarrassed to admit

where they work.

quarters in Denver, it installed video cameras and a sound system of rock concert quality so that the chief executive could speak to employees. Some 2,000 attended the speech in person and the rest saw a videotape.

The strategy appears to have enabled a great many Manville workers to make peace with the company's travails. A Gallup survey taken in November found that 87 percent of employees would recommend Manville as a place to work. When a company gets a black eye, consultants agree, the chief executive officer should step forth to pacify the work force. Or, in some cases, should step down, as happened at General Dynamics. David S. Lewis, the chairman, announced that he would retire at the end of the year, one day after the U.S. Navy suspended the signing of new contracts at two of the company's largest divisions.

"We don't do enough of that in American business," said Abraham Zalesnik, professor of leadership at the Harvard Business School. "In Japan, it's common for the head person in the face of a disaster to publicly apologize. In America, there's a tendency to pass the blame on."

"To alleviate anxiety, people have to identify with a strong figure or else they will become more anxious and make worse decisions," Mr. Zalesnik adds.

THERE are few better examples of the difference a commanding leader can make than the irrepressible Lee Iacocca. Outside wolves licked their chops in anticipation of feasting on a dead Chrysler. Abuse was heaped on the automaker for accepting handouts from the government. But Mr. Iacocca preached about the path to a new rainbow and kept the company together.

When the issue is a protracted problem in a company or industry, the preaching can become a long, tedious affair. "Employees of electric power companies used to feel good," said Mr. Levinson. "They were stringing lines and bringing people light. They wore white hats. Now, because of nuclear power, a lot of environmen-

talists and regulators are telling them they wear black hats. They're going to blow things up. So management has to keep explaining to people why they've gotten black hats and why they don't deserve black hats."

Some ugly tragedies hang over a company for years, then virtually disappear. Events started to beat down on the Allied Corp. in 1975, when workers at the company producing the insecticide, Kepone, for Allied were reported to be suffering from tremors, headaches and sterility. Health officials felt that cancer in the area of Virginia where the plant was located would rise, because Allied had illegally dumped Kepone in the James River.

Edwin Halkyard, Allied's senior vice president of human resources, recalls that the debacle had a jolting effect. Recruiters on college campuses, he said, found potential candidates spurning job offers. "We lived with that thing night and day for five years," he said.

Allied invested heavily in anti-pollution equipment and safety controls, and the malaise died away. Nowadays, the episode rarely gets discussed. New workers do not know about Kepone. "It's in the corporate history books," Mr. Halkyard said.

Even when it is clear that a company is blameless for some tragedy, employees may feel ghastly. At Prudential-Bache Securities, the chief executive, George L. Ball, recently sent out a to-all-staff memo in which he took issue with a recent newspaper story charging that he was party to the illegal check-kiting scheme at E.F. Hutton while he was there. He feared that Prudential-Bache employees might feel tarred with the same brush that was tarring him, or might conclude that he did not care about staff integrity. "My primary concern," he wrote, "is that the gossip might taint our quest for qualitative, as well as quantitative, standards that are above anything in our industry. Please don't let that happen, nor will I."

Employees at Johnson & Johnson also had to cope with indirect culpability. Sept. 30, 1982, is a date deeply etched into the mind of every J&J employee. That is when the first horrific reports arrived that people were dying from cyanide-laced Tylenol capsules. Almost immediately, it was established that Johnson & Johnson was not a culprit. Still, trauma pervaded the work force.

"It was definitely a day of silence," said Laura Kopeckinski, who was working on the production line at the McNeil Consumer Products plant that was packaging Tylenol. "For the first three days, I couldn't eat or sleep. I couldn't go out and do anything. I couldn't move. I'd sit at home with the TV or the radio on. I'd have the radio playing low all through the night. And another death. And another death."

Although Johnson immediately pulled the product off the market and sent production people home, it reassured workers that it would fight the calamity. It passed on everything it knew to the press and employees. Waves of support came from unexpected sources. A button maker sent 2,000 buttons that said, "We're Coming Back." Employees pinned them on. The company came together.

Mammoth corporations, if nothing else, boast remarkable resiliency. No matter how gloomy things get, there are always sunny days again. One way or another, it seems, employees manage to recapture lost spirit.

Which is not to suggest that terrible tragedies do not leave small scars that do not completely heal. "It's still tough when you're sitting in the backyard of a Saturday afternoon barbecue and somebody gets to talking about the asbestos situation," said Chuck Hite, senior vice president of human resources at Manville. "It's not comfortable. I'm not comfortable. I'm sorry we're in bankruptcy. I'm sure that we'd all say that if we had it to do over again, we'd do some things differently."

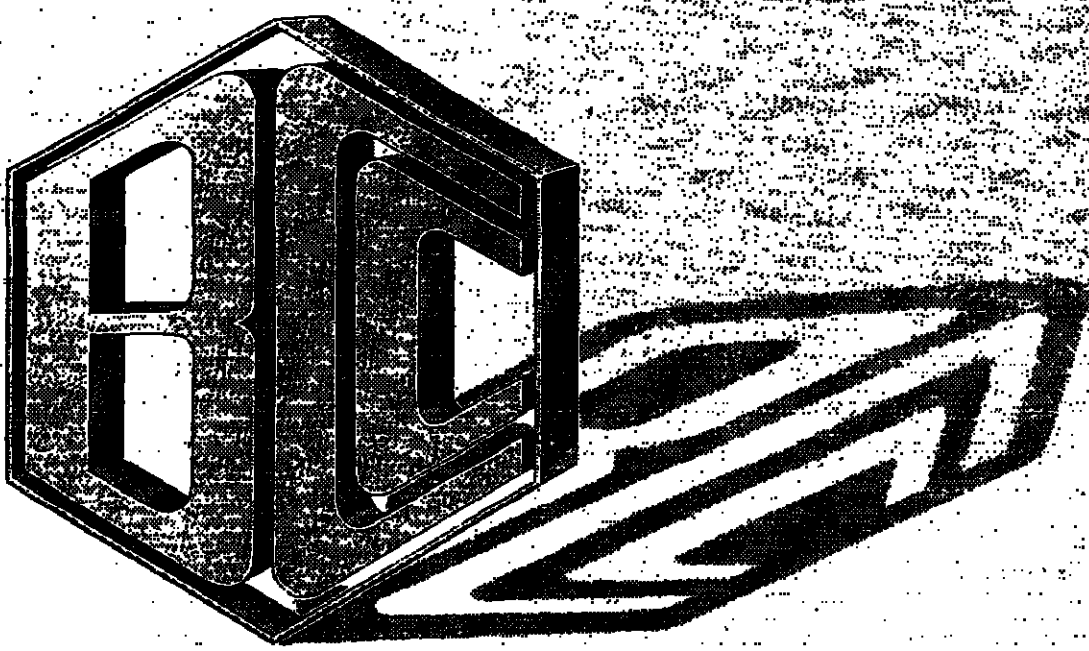
"We're sorry," said Curt Linke, Manville's vice president of corporate relations. "We're all sorry. There's a lot of blame that can be thrown around. It's a question now of how to deal with it."

## The way to look at Dubai is through BCC

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## Shevardnadze: Different Kind of Official

U.S. Legislators Who Met Him in 1979 Noted Independent Manner

By Gary Lee

Washington Post Service

WASHINGTON — The silver-haired politician from the Republic of Georgia in the Caucasus greeted his American guests with a joke and proceeded for two hours to impress them with his deep anti-Chinese sentiments, a firm stand against nuclear weapons and a surprisingly independent manner.

Several of the visitors, who were from the U.S. Congress, recall that their host, then 51 and the Communist Party leader in the mountainous republic of the Soviet Union, opened by thanking them for getting the accompanying high-level politicians down from Moscow — a feat he had been unable to accomplish.

Now, Eduard A. Shevardnadze, at 57, has moved from Tbilisi to Moscow as foreign minister. That meeting with a U.S. congressional delegation in April 1979 has taken on special weight as apparently the only extended meeting he has had with American officials.

During the talks, Mr. Shevardnadze "complained about the level of military spending," recalls John Brademas, then House majority whip and head of the delegation, and now president of New York University. "And he came across as very patriotic."

But the strongest and most memorable stance that Mr. Shevardnadze took was against the Chinese. Mr. Brademas and others who were present recall.

"He launched into a fervent denunciation of China," said Mr. Brademas, "and warned against supplying China with nuclear weapons."

Burt Hoffman, then a congressional aide, added: "A fear of China really came through." Representative Thomas J. Downey, Democrat of New York, said that Mr. Shevardnadze went out of his way to make clear his feelings about China, displaying a "virtual hatred."

According to Mr. Brademas's notes, Mr. Shevardnadze said, "We are very much concerned about the problem of China. Today they are attacking Vietnam, tomorrow it will be India, then the Soviet Union, and maybe even the United States. China suppresses its own people, and suppresses any opposition to a new war."

"It has a psychosis of war," Mr. Shevardnadze went on, according to Mr. Downey. "We helped them through the dark times and now they're turning their back on us."

In recent months, Soviet-Chinese relations seem to have entered a quiet phase.

Several of those at the meeting were surprised



Eduard A. Shevardnadze at a parliament session.

that Mr. Shevardnadze's presentation was "direct," "outspoken" and free of the rhetoric and dogma commonly associated with speeches by Soviet figures.

ONE of the delegates, Charles A. Vanik, a former Democratic representative from Ohio, said, "I saw a man very much unlike the other Russians. He was independent, open and unrestrained."

"Sure of his power base, he was unafraid to say bold things," Mr. Vanik added.

Mr. Downey recalled: "He was very much a commanding person."

A member of the U.S. Embassy staff had briefed the delegates that Mr. Shevardnadze "didn't know too much." So many of them were surprised by how much he did know, Mr. Hoffman said.

The 1979 visit took place during the thick of U.S.-Soviet discussion over the SALT-2 arms control agreement, and when the issue of nuclear arms arose Mr. Shevardnadze came down hard against them, several of those present said.

"We would not have a problem finding something to do with the industrial capacity now going for weapons production," Mr. Brademas quoted Mr. Shevardnadze as having said. "That capacity could easily go to peaceful purposes."

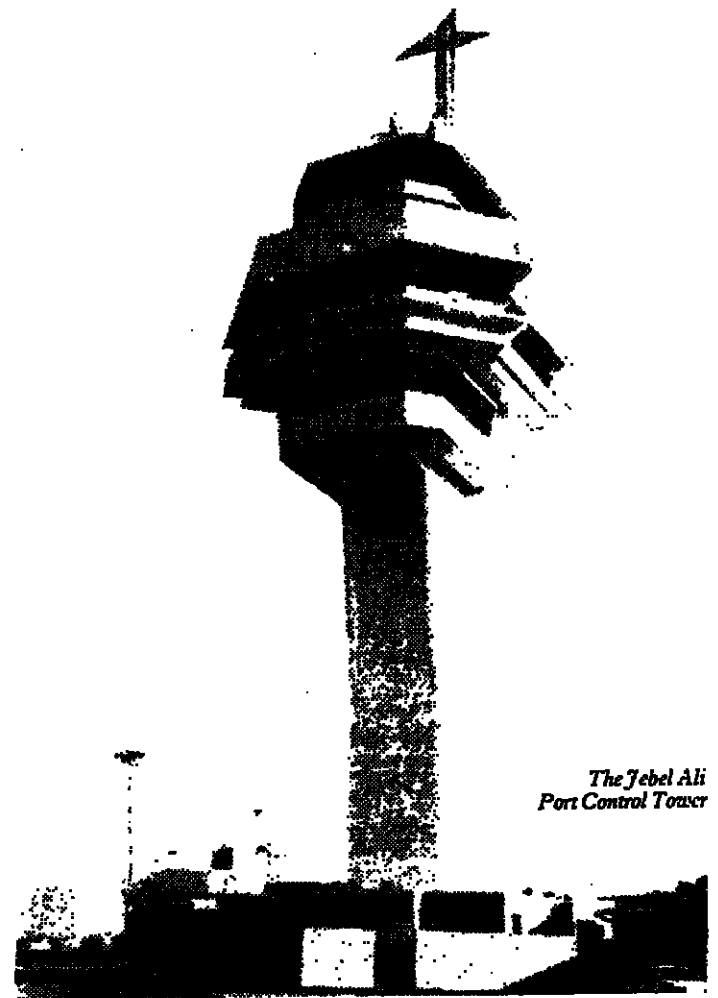
According to Mr. Downey, the Georgian leader punctuated his position on nuclear arms with a wave of the hand and exclaimed: "They're crazy."

"Shevardnadze gave us a real sense that he thought the arms race was totally senseless," Mr. Downey said. He added that Mr. Shevardnadze was proud that there were no nuclear weapons in Georgia.



# JEBEL ALI Free Zone

The new Dubai Jebel Ali Free Zone will help boost the Emirate's economy. Many foreign companies are already showing interest in setting up manufacturing, warehouse and distribution facilities in this Middle East Tax Free Centre. Automakers and camera groups are amongst those now knocking at the gates of the free zone which is within one of the world's largest harbor areas.



The Jebel Ali Port Control Tower

## Jebel Ali Free Zone to Become Market Focus for 1 Billion People

The new Jebel Ali Free Zone Authority, which operates the largest man-made harbor in the world at Dubai is all set to become a massive cargo and manufacturing distribution center which will serve one quarter of the world's population.

"We reckon we have a catchment area of one billion people representing the biggest market in the world," says Charles Heath, marketing director for the Jebel Ali Free Zone Authority. Just back from a tour of free zones and ports in South-East Asia and the Far East, Heath believes that Jebel Ali can offer anything, if not more, than other established free zones in Hong Kong, Taiwan, Singapore or South Korea.

At the beginning of this summer, new laws and regulations were brought in to enhance the attractions of the port and its growing industrial complex. With a fast developing sea-air cargo link, Jebel Ali is well positioned to tranship goods throughout the Middle East, the southern Mediterranean, East and Southern Africa, and the Asian Sub-Continent. "That's a quarter of the world's population," claims an exuberant Heath who has been sifting through hundreds of applications from international and other companies now wanting a base in Jebel Ali, just half an hour's drive from Dubai in the United Arab Emirates.

There is a complete package of incentive regulations which could turn Dubai into the most significant development area in the Middle East. One of the most important aspects of the new laws is that any company or organization operating exclusively from Jebel Ali will be regarded as a company incorporated outside the United Arab Emirates. "To all intents and purposes it could be in Germany or Japan," says Heath. This means the company would not be subject to UAE ownership or existing labor restrictions.

Dubai is the original entrepot center of the Gulf. For generations its merchants have traded far and wide with dhows from the sheltered natural creek. The city's prosperity was founded on trade and it became rich in its own right long before the days of the oil boom in Arabia. Today Dubai is a flourishing modern city with one of the fastest growing and busiest airports in the Middle East.

### The Ruler's Shrewdness

The Ruler of Dubai and vice president of the United Arab Emirates is Shaikh Rashid bin Sa'id Al Maktoum who has been the driving force behind the development of this desert shahdom.

Dubai has never been rich in natural oil or gas resources like some of its neighbors. It has always had to rely on a good nose for business. The Ruler had always urged a policy of economic diversification as far as was practical. Sometimes his suggestions were looked on with scorn as "white elephant schemes." But his uncanny shrewdness and impulsive decision-making often confounded his critics. One such example has been the creation of the original port at Jebel Ali.

Eight years ago while out walking near a sandy knoll overlooking the sea at Jebel Ali, an ancient navigation mark and a favorite picnic spot for the ruler, Shaikh Rashid thrust his walking stick into the desert and declared to those around him: "I want a port. Build it here and have it working in four years."

And thus began the construction of the largest artificial harbor in the world, one of the few man-made objects said to

be clearly visible on earth from outer space. Like a giant reversed "F" blasted out of the desert, the port and industrial area now cover some 7,500 acres. There are 67 berths, container handling facilities, ro-ro berths, a 42,000 cubic meter capacity cold store, an aluminium smelter, desalination and power generating plants using natural gas, supported by all the necessary working infrastructure.

### Tonnage up 50 per cent

Already more than 40 companies dealing with oilfield supplies to photographic film storage and distribution have established themselves in the port area and industrial complex. In 1984 the port itself had its most successful year since full operations began just over two years ago. Tonnage through the port increased by 50 per cent to 4.8 million tons compared to 1983.

Because of the totally sheltered and virtually enclosed harbor area, vessel lay-ups also continued to play an active role in the port's activities. These totalled 15 million deadweight tons and included nearly a dozen oil drilling rigs.

Although overall business has been increasing at Jebel Ali, Dubai, in common with the rest of the Gulf countries has been suffering from the overall effects of the economic recession and the continuing Iran-Iraq conflict.

Dubai felt it was necessary to do something which would help boost its economy. In 1980 a limited free zone area with private bonded warehouses was established. Earlier this year a decision was taken by the Government to upgrade the facilities at Jebel Ali and to continue the laissez-faire policy

towards entrepreneurial activity which has always been the hallmark of Dubai's commercial success.

### More Liberal Attitude

There has been close cooperation between the Government of Dubai, the city's Chamber of Commerce and Industry, and the Port Authority of Jebel Ali concerning the latest developments. In January this year a decree was drawn up defining the new Free Zone Authority but this was not signed until May.

Abdul Rahman G. Al Mutaiwee, director general of the Dubai Chamber of Commerce and Industry, says that it had always been in the Government's mind to have an active free zone authority since Jebel Ali's inception. Mutaiwee, who is one of the members of the board of the new Jebel Ali Free Zone Authority, explains some of the moves behind the Free Zone.

He says that because of the decline in the overall economic situation of the region, the days of the "golden age" when the economic fortunes of Dubai were turning very fast in the early 1970s, were over.

Dubai has grown rapidly. Its infrastructure was completed and "we had to search for another source of income—we have to diversify and create something new for our economy," says Mutaiwee adding: "We have to give our country a big push, industrialize ourselves and create a new resource for Dubai."

He believes that Dubai is very well equipped and can play an important role in utilizing the facilities and income which will be created through the new Free Zone at Jebel Ali which

Continued on following page

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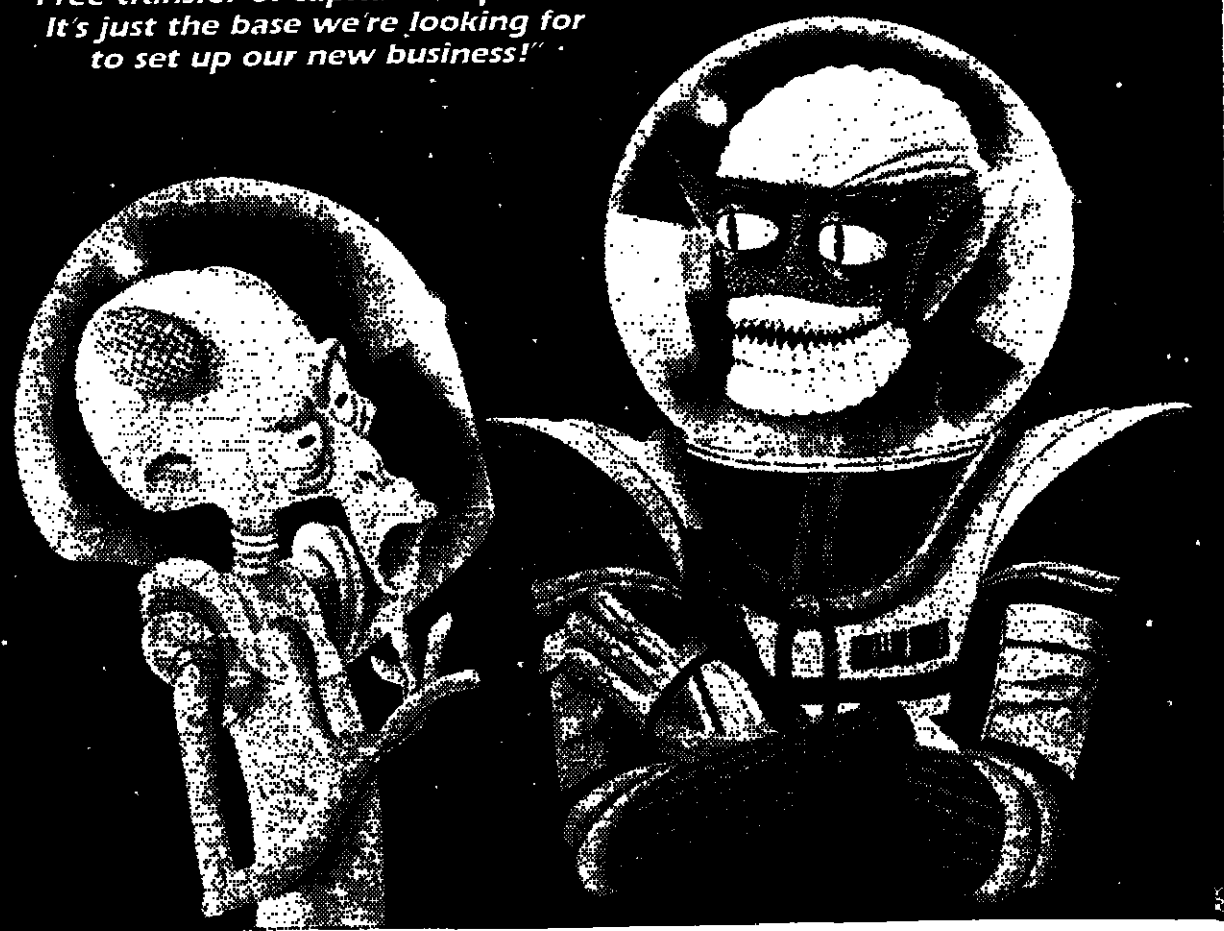
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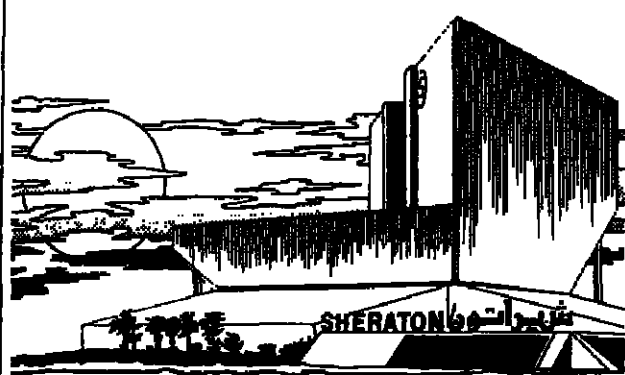
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Continued from previous page he does not think will draw trade away from the city. "If anything, it will increase... we must adapt to local circumstances and not stop the economic wheel of fortune from turning."

### 'Apply Today, Start Tomorrow'

Keeping the wheels turning at a rapid pace is Heath's main task at the Free Zone's head office in the port. In the few weeks since the new plans were announced, applications have been flooding in. More than 300 came in the first rush. These have now settled down to about ten a day as information about the Free Zone begins to circulate.

Already applications from the first two dozen companies are being processed and another 60-100 are in the pipeline. "If a company contacts us today, it could be operating tomorrow in certain circumstances," says Heath but admits that three to four weeks would be more reasonable. "It just depends on exactly what facilities the company wants, whether or not it wants to build something, otherwise everything is here."

The Free Zone is trying to broaden its appeal to those who want to do business from a safe, secure base in the region. "We are trying to broaden the benefits that we already have here to the multi-national companies."

### The Main Benefits

What has Jebel Ali got to offer? According to Heath just about everything—and it is all working. Heath sees this as a distinct advantage when comparing the facilities at Jebel Ali with those of other aspiring free zones. He reels off some of the main benefits:

- Power supplies available;
- Water available;
- Telecommunications in operation;
- Easy access to the main highway linking Dubai and Abu Dhabi;
- Close to Dubai International Airport;
- Housing accommodation already in place;
- Labour already available.

In addition there are to be no taxes and all capital and profits can be remitted freely for at least 15 years. But the most significant attraction is in the interpretation of the Decree establishing the Free Zone in relation to company ownership, employment and immigration. In addition to a general licence to operate in the Free Zone, which will mainly be reissued to existing companies already in operation, there is to be a "special licence."

A company operating from the Free Zone within the terms of the special licence will not require a local sponsor or be subject to UAE partnership regulations. The Free Zone will itself act as sponsor and nominal employer of any labour which the company may require for its operation.

### Must Live Within Free Zone

Manual and unskilled workers will have to live within the Free Zone provid-

ed accommodation but will be free to travel within the UAE: white collar workers and senior staff can live outside the Free Zone. (For further details see story on page 3.)

It is the sponsorship and labour regulations which have sparked off the major interest in the Free Zone as they provide a subtle method of gearing up greater economic activity without too many bureaucratic restrictive measures.

However, the Free Zone is at pains to point out that by being overall nominal sponsor and employer it has no intention of becoming a source of cheap labour. As Heath himself points out, if anything the cost of labour in Dubai is sometimes higher than in other similar free trade zones in the world. Unskilled workers get about Dhs. 1,000 (\$277) a month compared to say, Dhs. 750 (\$208) in Taiwan. But Taiwan has withholding taxes—Jebel Ali has none. In fact there is no corporation or personal tax of any kind in Dubai and no currency restrictions.

### Possible 'Shell' Buildings

"Every employer must sign an individual contract with his employee," explains Heath who says that the Free Zone intends to have fair, but stringent, labour legislation which will be internationally accepted by the new companies coming into the Free Zone.

Authorized recruiting offices will be allowed to operate from within the Free Zone. Initially there will be accommodation for between three and four thousand unskilled workers and further accommodation will be built as required. In addition a certain amount of administrative and office space is being provided. The Free Zone is also considering providing ready-built warehousing and manufacturing "shell" buildings which can be adapted to customer requirements.

Heath says that the Free Zone is putting together a commercial labour construction team. "This will provide and build all the facilities which a company might require as well as supply the varying catering needs."

### Staggering Response

As the mercurial Heath fends off telephone calls and would-be interruptions from his colleagues, he admits to being a little surprised by the overwhelming response to the preliminary announcement of the enhanced Free Zone just two months ago.

"We're getting in replies much faster than we would normally have expected for what is really only phase one of our expansion," says Heath.

"It is much better than we expected," says Sultan Bin Sulayem, chairman of the Free Zone who firmly believes that the Free Zone is a step in the right direction.

"It will make Dubai a much more attractive place for businessmen and the Free Zone is not only going to benefit Dubai, but the whole of the Emirates as well," reaffirms American educated

Sulayem. In spite of some criticism from a few merchants, he is convinced that the Free Zone will bring new business to Dubai rather than attract existing companies from the city to Jebel Ali.

Jim Scott, executive director of the Free Zone, agrees that so far things are looking pretty good. "We are getting interest from some very substantial companies and they are asking us for the right kind of information, detailed requests, not just general questions."

### One-Stop Service

As Heath explains: "We think that between 40 and 50 percent of the inquiries represent new business for us." Until final approval is given he is reluctant to name companies but says they include a major food processing group

from New Zealand, one European auto manufacturer, two automakers and truck supplier from the Far East, one of the world's largest optical manufacturers, and the second largest 35 mm camera manufacturer in the world.

Scott says that what the Free Zone is really looking for are major international manufacturers with large product lines who want assembly or sub-assembly facilities and a gateway to distribution links.

"We want to provide a one-stop service for these people," he says.

Jebel Ali is served by half a dozen major shipping freight lines. One area of rapid growth is in air-sea cargo links which Heath believes offers plenty of scope for development at Jebel Ali. Often a manufacturer will ship his

products from say the Far East to the Middle East and then fly the goods to their final destination in Europe, which works out cheaper and quicker by saving sailing and fuel costs.

### Dubai Airport Link

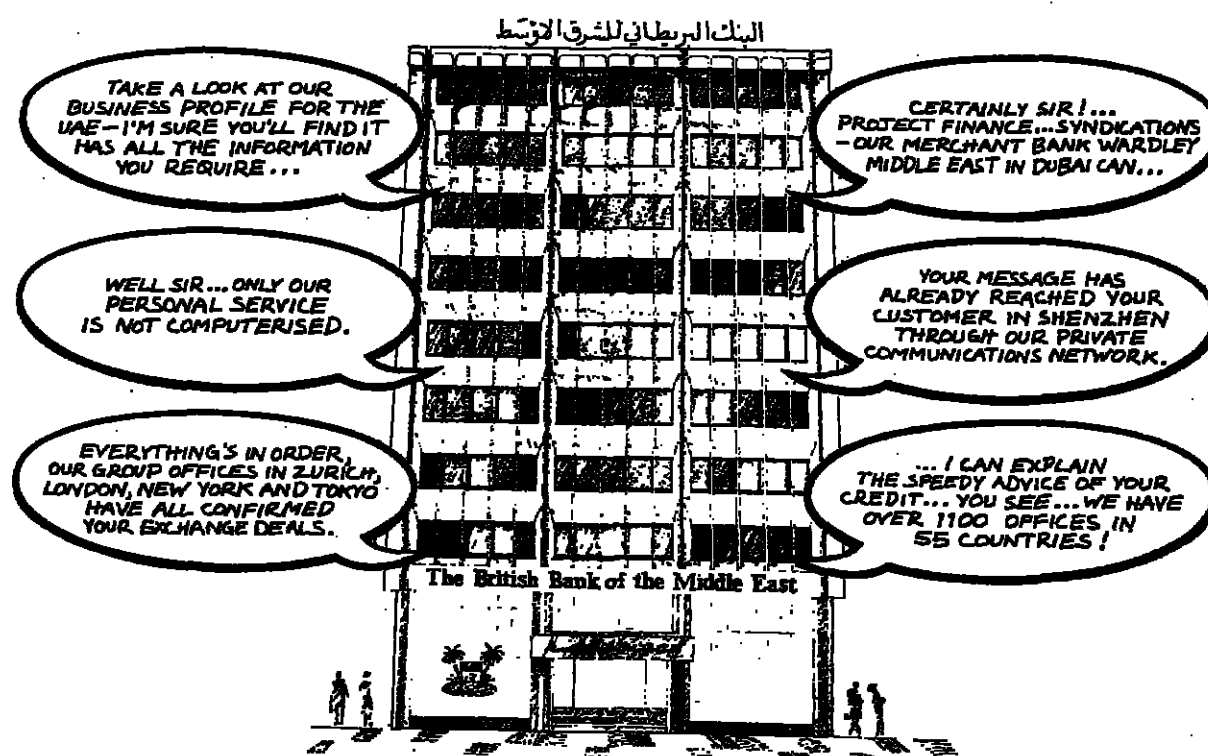
At present only about one percent of all cargo in the world goes by a combination of sea and air. In the next eight years sea air cargo is expected to amount to a total of five percent and Heath believes that one percent of all world sea-air cargo trade could come through Jebel Ali.

Cargo would be unloaded at the docks and then taken by special vehicles to Dubai International Airport where it would be stored in a special free trade zone or bonded area for onward shipment by air. This facility is expected

to be available shortly and will both strengthen the links and improve the overall services available from Jebel Ali and Dubai. It may be no coincidence that Dubai has also announced the formation of a new airline, Emirates, to bring about a much needed improvement in regional communications.

With the increasing pace of commercial and allied developments, including the strengthening of the banking system within the UAE, Dubai is well on the way to extending its trade links through the improved facilities at the Jebel Ali Free Zone. Those running the Free Zone hope that Jebel Ali will become a golden spoke in Dubai's ceaselessly turning wheel of fortune, which may now be gathering further momentum.

## Considering business in the Free Zone?



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## Jebel Ali Free Zone Authority Facilities

The newly created Free Zone Authority has issued a preliminary notice outlining the additional facilities which it is now offering to those available from the previous Port Authority of Jebel Ali. The most significant points are in the two types of licences which will be issued. These consist of a "general licence" and a "special licence".

Any foreign company wishing to do business in Dubai has always had to have a local sponsor or business partner. The company also has had to apply to the federal authorities for work permits and immigration approval on behalf of its staff if they are not UAE nationals. This has to be done through its local partner.

From now on a company already operating, or seeking to operate from within the Free Zone, and who wishes to trade within the UAE must still use the services of a local agent and will be granted a "general licence".

However, a company may hire its own labour or staff within the Free Zone under a special agreement, if it operates only within the Free Zone and does not export to the UAE. Should the company want to export to the UAE or to any member of the Gulf Cooperation Council to which the UAE belongs (this has still to be clarified) it still needs a local agent. But the agent will not have to act as sponsor.

In practice the Dubai authorities will treat the "special licence" holder as a foreign company working "overseas" although it happens to be only 25 miles away at Jebel Ali. In the case of the "special licence" the Free Zone Authority will act as overall sponsor for the company and its staff but without taking a share of the profits as in the case of a local partnership.

Many of the details and practicalities of the licensing

agreements have still to be worked out and there are several "grey" areas particularly regarding the GCC which is seeking to introduce common tariffs and customs agreements.

Detailed rules and regulations for the operation of the Jebel Ali Free Zone Authority are still being drawn up. The official Decree No. 1-1985 establishing the Free Zone in Jebel Ali was issued on January 9 and signed by Sheikh Maktoum Bin Rashid Al Maktoum, Crown Prince and Deputy Ruler of Dubai. It was published in the Official Gazette at the end of April. Notice No. 001/85 from the

(a) GENERAL LICENCES to those Users wishing to operate freely as at present, both within the Free Zone and outside it.

(b) SPECIAL LICENCES to Users wishing to operate within the Free Zone only.

The validity period of these licences to be negotiable.

3. General Licences: General licences will remain, as at present, subject to all Municipal and Federal Licensing requirements and the Federal labour laws.

4. Special Licences:

(a) Companies and Organisations licensed to operate exclusively within the Free Zone shall be deemed incor-

porated outside the UAE and for his operations within the Free Zone will be provided through the Free Zone Authority under a special Hiring Agreement by which the licensee retains practical control of recruitment and employment conditions, but the Free Zone Authority acts as sponsor and Nominal Employer and will issue the necessary work permits which will be valid for employment within the Free Zone only.

5. Taxes and Charges: Neither class of Licensee will be liable to any Government or Municipal taxes or similar imposts in respect of his operations or property within the Free Zone, but will pay normal rates of charges for any outside services utilised. PAJA and Free Zone charges and dues will be negotiated by separate agreement.

6. Repatriation of Capital and Profits: All imported capital and profits arising from Free Zone business will be freely transferable abroad for a minimum period of 15 years.

### GENERAL CONDITIONS

7. All services provided by or being the responsibility of the Municipality in the Emirate of Dubai will be provided within the Free Zone by the Port Authority of Jebel Ali acting on behalf of the Jebel Ali Free Zone Authority.

8. Existing Free Zone Customs Regulations will remain unchanged e.g. there will be no duty on Free Zone goods unless imported into the UAE. The Commercial Agencies law and Municipality restrictions will not apply to goods transmitting the Free Zone.

9. Dealings will be prohibited in the following goods: raw and prepared opium, coca leaves, cannabis resin and preparations whose basis is resin of cannabis and cocaine, fake or counterfeit money, or boycotted goods.

10. Dealings in arms, ammunition and explosives will be restricted in accordance with existing regulations.

## Container Ships Make Greater Use of Port's 67 Berths and 9 Miles of Quays

It takes about 20 minutes to drive from one side of Jebel Ali Free Zone to the other. The 7,500 acre site is only just being fenced and the eleven and a half mile wire link barrier around the port should be completed by the end of next month.

As you approach from Dubai City past the huge Trade Center tower block and the Hilton apartments, the Dubai Electricity Company's power station and then the Dubai aluminium smelter works loom up out of the swirling afternoon heat which reaches more than 46 degrees Centigrade in summer.

The Jebel Ali bluff, now dotted by tree-shaded villas for expatriate workers at the Free Zone, is dominated by the twin dishes of the satellite earth station and the lattice-work microwave telecommunications tower. It lies on the left of the main highway which leads to Abu Dhabi.

During the afternoon strong winds send the sand in stinging waves across the ground making it difficult to discern whether the grey ships' hulks are at anchor alongside the quays of the port or on some mysterious voyage through the desert.

The dozen or so vessels and 15 oil drilling rigs laid up in the port are dwarfed by the basins dug out of the desert. Although virtually all of the basic infrastructure for the port has been completed some of the paved service link roads are still under construction. These will be finished in the near future.

### Polaroid use store

The main entrance to the port area is through the east gate near the Dugas turn-off. Just through the check point, now constantly manned (all vehicles leaving are searched), is a large blue green shed housing the cold store which is one of the largest in the Middle East. It is also one of the Free Zone's most important facilities.

Apart from being used for chilled food products, Polaroid and Kodak keep all their film stock there for distribution throughout the Middle East.

Charles Heath, marketing director of the Free Zone, quotes their use of the cold store as a classic example of how Jebel Ali can serve as a strategic location for manufacturers and distributors.

Near to the cold store alongside the southern basin are a number of laid up vessels together with several jack-up oil drilling platforms. Opposite them are the main port administration offices and transport park.

### More container traffic

Behind these facilities lies the entrance to the container and ro-ro terminal which is approached through another check point and weighbridge. Last year a third gantry crane was installed to increase the efficiency of container handling. Total throughput in 1984 was 151,750 twenty-foot equivalent units (TEUs) which was an increase of 23 percent. Container tonnage also rose by 28 percent to just under 1 million tonnes.

At the container freight station an average of 23 containers are stripped or stuffed daily with a variety of cargoes. During the year more than 73,000 tonnes of aluminium ingots from the Dubai works were loaded into containers for export and nearly 90,000 cases of cigarettes were received for storage in one of the air-conditioned warehouses before onward distribution.

In line with increased activity throughout the port, bulk handling also rose by 34 percent during the year. Nearly 900,000 tonnes of cargo were imported and 150,000 tonnes exported. Most of the export cargo was handled by the International Bagging Corporation, which is the only commercial bagging operation in the UAE.

### More than 9 miles of quays

The backbone of the port is its marine activity but shipping movements showed only a slight overall gain during 1984. Some 2,770 vessels called at the port. Although the total was only up by 2 percent in numbers there has been a distinct change in the types of vessels serving the

space for 67 berths of all kinds, with dredged depths of up to 14 metres below low water level. Just over a mile of wharfage is available for single users and there are special zones designated for different types of cargo—petroleum products, dry bulk and forest products, berths with refrigeration and warehousing facilities and industrial user berths.

A new fuel oil berth, primarily for the use of the Jebel Ali power station was commissioned during the year along with two 500,000 barrel condensate storage tanks to serve ARCO's Margham gas field. As a result the volume of petroleum products landed jumped by 75 percent to 2.9 million tonnes in 1984.

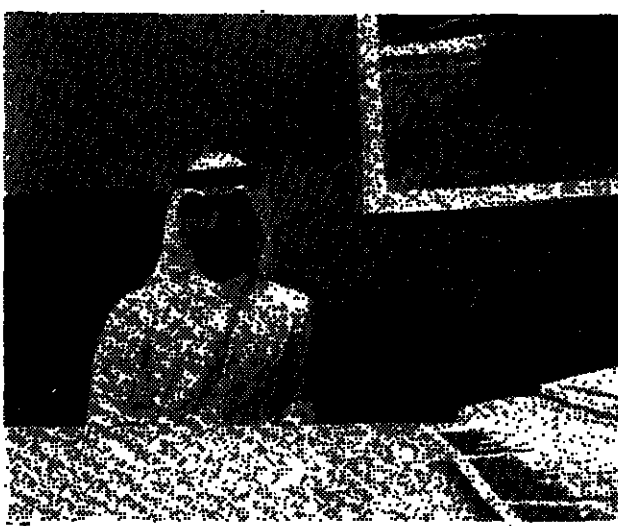
### Free Zone changes

Until now there has been a designated "free trade zone" within the port area. However, with the publication of a new decree by the Government of Dubai, the overall status of the Port of Jebel Ali has been enhanced to that of a complete "free zone" with its own administrative authority. Working terms and conditions remain much the same as before apart from the new kind of special licence (see adjacent story).

In the past, minimum plot areas of land have been available for leasing at preferential rates depending on the proximity to the quayside. These plots have started at 5,000 square meters but Heath believes that the new FZA may be offering smaller sized parcels of land.

"The inquiries so far indicate that there is a need for more modest plots in some cases," says Heath who is also examining the possibility of providing ready-made "shell buildings" as an operational base for new companies. These would be in addition to existing warehousing facilities which now exist in 18 different areas of the Free Zone.

Rents range from Dhs. 5.38 (\$1.46) per square metre per year up to Dhs. 33.28 (\$8.7) for plots adjacent and facing the quayside. Electricity, water and telecommunications links are provided to all points within the Free Zone.



Sheikh Maktoum Bin Rashid Al Maktoum, Chairman of the Jebel Ali Free Zone Authority Board, is seen taking a step in the right direction... the response has been much better than was expected.

Jebel Ali Free Zone Authority is reproduced below:

1. Control of Free Zone: All existing users of the Free Zone will come under the control of the Free Zone Authority, but previous agreements (eg PBA arrangements) will remain in force until further notice.

2. New appointments: All applications for Free Zone rights must be submitted to the Free Zone Authority. Two types of licences will be issued to accepted users of the Free Zone.

ported outside the UAE and therefore will not be subject to any national ownership restrictions or partnership requirements: but they will consequently not be permitted to export goods or services to the UAE except through a Local Agent. This Agent will not be required to sponsor the Licensee or his staff and will not be responsible for any debts or liabilities incurred by the Licensee or his staff.

(b) Staff and labour required by a Special Licensee



Photo: Jebel Ali Port Authority.

During the summer Pan Gulf installed a new feeder service at the terminal to connect Abu Dhabi and Sharjah every fortnight. Transshipment now accounts for 45 percent of the port's total container movements.

port. The most significant trend is in more, larger container and ro-ro vessels and a decline in the number of general cargo ships.

The main facility which Jebel Ali offers is its nine and a half miles of quays with

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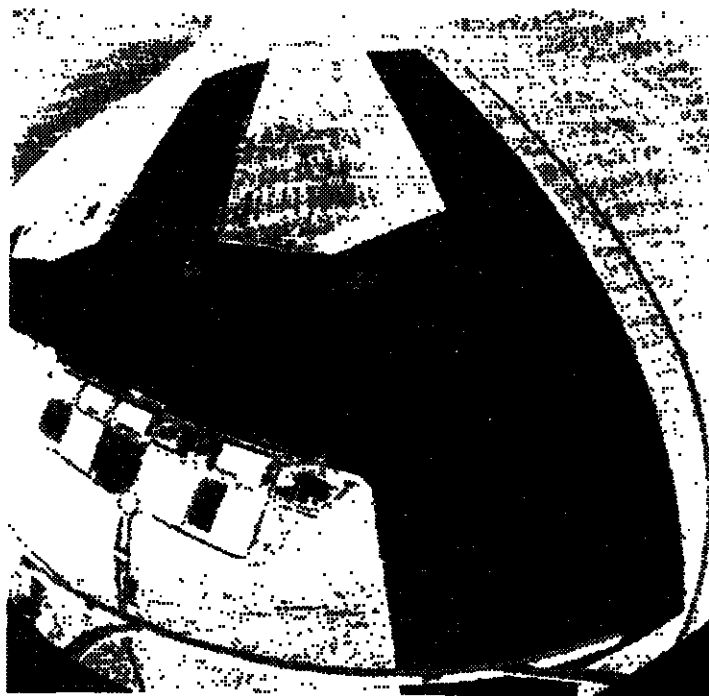


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## Dubai Airport Will Take Part In New Sea-Air Cargo Challenge

Mohi-din Abdulkadir Bin-hendi, director general of Dubai's Department of Civil Aviation is a man in a hurry. "I like to get things done overnight," he says rather mischievously, whenever faced with a challenging situation.

Certainly things are moving at Dubai Airport, where a new arrivals terminal and other extensions are due to be completed next year. It is well on the way to becoming one of the busiest airports in the Middle East and principal gateway to the Gulf countries. It also has one of the fastest growing and least expensive duty free shopping complexes in the world, which is attracting global interest from travellers.

Although new developments are not quite completed instantly, one of the latest is the decision by the Government of Dubai to form its own Emirates airline which it hopes will greatly improve regional services. This is due to start operations in the fall.

The new developments at Jebel Ali also mean greater activity for Dubai Airport on the cargo side as part of the sea-air cargo service which the Free Zone Authority is promoting for the future.

"Anything which brings in more business to Dubai is good for us as far as I am concerned," says the quietly aggressive US educated Bin-hendi.

### New free zone terminal

Final plans are being drawn up for a new sea-air cargo terminal to be built by the airport with special free zone or private bonded areas for the transshipment of cargoes from vessels calling at Jebel Ali.

"We are carrying out a special distribution study at the moment to see how we can best serve not only the region but further afield as well," explains Bin-hendi on a frantic morning in his office,

while trying to deal with half a dozen problems at once as members of his staff troop in and out.



Mohi-Din Abdulkadir Bin-hendi, Director General, Department of Civil Aviation.

He hopes to construct an entirely new cargo hall with cold storage facilities. The airport and FZA will probably operate a special fleet of trucks to shuttle cargo to and from the port as well as by road to other destinations in the Gulf.

"It is going to be a great success and I can definitely see Dubai as a whole becoming the cargo centre for the region, when we can join together the two facilities," he adds exuberantly.

At present there are about 33 air cargo movements a week totalling 148 a month with a dozen "combi" (combined passenger-freight aircraft) serving Dubai.

### Total cargo throughput up

Already Dubai has become the regional distribution centre for most of the fruit and vegetables grown in the Middle East. Produce is flown in regularly from countries as far apart as Jordan, Oman and Qatar for distribution locally by air or land.

Total cargo volume handled during 1984 amounted to 87.9 million kg — an increase of 6 percent over the previous year. There was a 10 percent rise in export cargo which totalled 25.8 million kg while imports rose by 6 percent to 62 million kg.

One of the largest single

pieces of air cargo was a 9 metre long piece of machinery weighing 36 tonnes which was carried in an Air France Boeing 747 freighter.

Dubai is now linked to 70 airports worldwide and is served by some 45 airlines. Last year there were more than 48,000 traffic movements and 3.6 million passengers passed through the airport averaging about 10,000 a day.

### New terminal being built

During the year a second 4,000 metre long runway was completed and work began on the new arrivals terminal which is being built by Dutco Balfour Beatty. Designed by Bechtel the new terminal will help the airport to achieve its target of handling 5 million passengers a year when it comes into service next year. This should allow for increased traffic and passenger needs up until the year 2000.

The new arrivals hall, which is to have a duty free shopping complex, in addition to the existing one in the present departure building, will have two customs handling areas. The same building will also house the offices of the Civil Aviation Department and airlines using the airport.

### Making "fliers into buyers"

December, 1984 saw the end of the first operational year for the newly opened duty free shopping complex which is now receiving international acclaim. A major part of the lower floor level of the existing terminal building was gutted and a thoroughly modern parade of attractive duty free boutiques was built in its place.

There is a very wide range of goods on display from gold bars, the latest in electronic cameras, to fashions, leatherware, spirits and sports goods.

Colm McLoughlin, general manager of the duty free shopping complex, claims to

have some of the cheapest drinks on sale compared to any other duty free shop in the world. It also sells some of the most expensive luxury watches encrusted with gold and diamonds. The jewelry shop probably offers one of the most comprehensive ranges of gold items to be found at any airport. Total sales this year are expected to pass the budgeted target of \$22 million by a comfortable margin.

Bin-hendi is justly proud of the duty free complex which he sees fulfilling the needs of passengers. He believes that a duty free shopping complex should be an integral part of the airport services and every effort is being made to turn "fliers into buyers."

One special feature of the complex is an attractive "Gifts from Dubai" section where local textiles, handicrafts and other items can be bought by last-minute shoppers or those in transit who want to pick up a Dubai souvenir.

McLoughlin, and his Irish team mates, who helped establish and run the duty free shop at Shannon Airport in Ireland, is constantly adding to the 500 or more stock items and plans to offer a variety of services to passengers as well as mail order. It was while passing through Shannon one day that Bin-hendi decided that Dubai had to have something similar — only better. Naturally he wanted it to be operating overnight.

### New airline proposed

The major new aviation development which will have an important bearing on the Jebel Ali Free Zone as far as communications are concerned is Dubai's decision to start its Emirates airline.

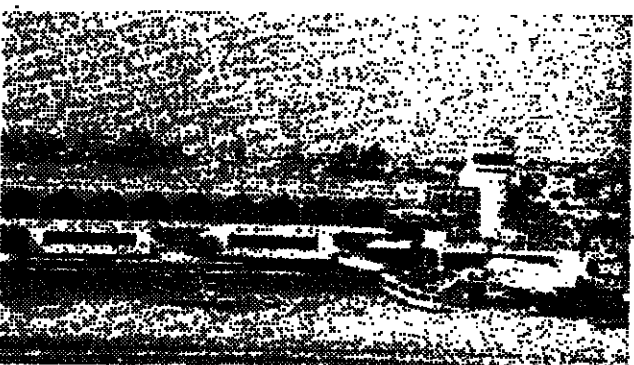
This has come about as the result of frustration over services offered by Gulf Air which is jointly owned by four of the Gulf countries including the United Arab Emirates, of which Dubai is a member.

Partly because of a dispute between Gulf Air and Dubai over ticketing rights, Gulf Air has drastically reduced its services to and from Dubai. In the last two years the number of flights to Dubai have been reduced from 108 a week to 44. Dubai has always been firmly committed to an "open skies" policy as far as airlines using its airport are concerned and it hopes that its new airline will act as a stabilising factor in the region.

The Dubai National Air Travel Agency (DNATA) which provides most of the professional airport and ground services at Dubai is said to be taking over the operational side of the airline which will most likely be subcontracted to a major international carrier.

Emirates Airways is already in the market for new aircraft, which are likely to include two A300 Airbus and two Boeing 737s. The general feeling in aviation circles is that Emirates could pay its way and there was ample justification for what it was setting out to achieve. Some revenue forecasts suggest that a figure of at least \$125 million would not be unrealistic.

Final details of the composition of the new airline and its fleet are expected to be announced anytime. The new airline may also play an important role in the new air-sea cargo link with Jebel Ali when it has consolidated its position in the region.



Dubai International Airport, now one of the busiest in the Middle East.

## RELIABLE AND ABUNDANT POWER AT JEBEL ALI

Dubai Electricity Company decided way back in 1975 to locate its Central Power and Desalination Station at Jebel Ali in close proximity to the Jebel Ali Port. This Central Power and Desalination Station can produce, at present, 650 MW of Electricity and 32 million Imperial Gallons of water daily. The Company also established a bulk distribution point at Jebel Ali

when it commissioned its 132kV Substation in 1984. Further it has a network of 33kV Substation around Jebel Ali. Thus Dubai Electricity Company can ensure immediate power supply availability to all Industries and Facilities that will be established at the Free Zone at Jebel Ali. Electricity is never a problem if you are at Jebel Ali Free Zone.



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## Polaroid Use Cold Store in Distribution Link

One of the most important innovations in the free zone is the long low green shed housing the cold store. This has a capacity of 42,000 square metres and is one of the largest in the Middle East. According to the FZA, last year's use of the cold store exceeded all expectations. Thirty reefer ships called at the store and more than 50,000 tonnes of cargo, mainly food products, were handled.

With the strategic geographical location of the port the cold store offers significant opportunities to distributors serving the Middle East or Asian sub-continent who need facilities for holding frozen, chilled or perishable products which need a strictly controlled environment.

One of the main customers to make use of the store is Polaroid which has chosen Jebel Ali as its main distribution center for the Middle East, India and Pakistan. Its film stock needs a strictly controlled cool environment to protect it.

Lloyds approval  
Jebel Ali's cold store carries Lloyds approval and classification. It consists of eight separate cold store rooms of different sizes with variable temperatures ranging from -29 deg. Centigrade to +13 deg. Centigrade. The relative humidity can also be controlled to suit individual product requirements.

The sophisticated refrigeration machinery is computer controlled and includes two emergency standby generators. Electronically controlled temperature recorders, as well as giving minute by minute monitoring, provide temperature readouts every 15 seconds. In addition a permanent record is provided for the 24-hour cycle.

The store is only 30 metres from the quayside which helps to make rapid transfer of cargo even swifter. With summer peak temperatures soaring to more than 50 deg. C. speedy handling can be critical in some cases. The store can handle up to 8,000 pallet converters for rapid and direct transit of cargo from ship to store.

The port also has its own fleet of special vehicles and handling equipment including forklift trucks and Atlas sit-on lifters.

### Temperature-controlled warehouse

In addition to the cold store, the port also has a 6,000 cubic metre capacity warehouse with temperature control facilities. This is located near the container terminal and freight station.

Temperature in the warehouse can be controlled to 21 deg. Centigrade with a controlled humidity of between 50-60 percent. The warehouse is equipped with fourteen 25-ton air conditioning units which have extra capacity in case of failure of part of the

system. Alternatively it is possible, if required, to lower the temperature of the whole building to below average requirements.

It is fitted with all the normal fire detection and protection systems with direct links to the port's fire station.

Because of the extreme summer temperatures and high humidity the warehouse is ideal for storing delicate cargoes such as electronic and computer components, pharmaceuticals and cigarettes.

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## First Emirates Gas Swap Will Help Boost Industrial Development

Three prime examples of Dubai's efforts at economic diversification are to be found in the Jebel Ali greater industrial area where natural gas, aluminium smelting and desalination plants are located. One of the most significant developments is the new \$25 million gas pipeline linking Dubai's tiny neighbouring emirate Sharjah with Jebel Ali.

Following the settling of a long drawn out border dispute between the two emirates, the new pipeline which will provide up to 70,000 BTUs of gas a day is the first ever emirates interchange of natural resources. In return Sharjah is to get some territorial offshore hydrocarbon concessions from Dubai.

The Lebanese-owned Consolidated Contractors International Company (CCC) is to build the 24-inch diameter pipeline which will run the 46 miles from Sharjah's Sajaa gas field to the Jebel Ali Electricity Company's power plant at Jebel Ali. Additional supplies will probably also go to the Dubai Natural Gas Company (Dugas) and the Dubai Aluminium Company (Dubal).

### Prime resource

Cheap natural gas has been one of the prime resources which has enabled the rapid development of the

industrial complex at Jebel Ali, and the Free Zone Authority hopes that its availability along with proximity of the port will attract further companies interested in some kind of manufacturing or processing.

In addition there is an abundant supply of aluminium from the Dubai works which last year achieved a record output of 155,355 tonnes during its third year of operation. This was 27 per cent more than the previous year and 15 per cent more than the smelter's initial designed capacity of 135,000 tonnes.

Dubal has a highly automated plant with a multi-national workforce of just over 1,800. It is almost certainly the most efficiently run plant in the Middle East and produces aluminium with an average metal purity of 99.87 per cent. Aluminium is produced by the electro chemical reduction process from three potlines.

The raw materials, alumina (mostly from Australia), petroleum coke and pitch are unloaded and stored on a special quayside facility at the port. During an average year about 370,000 tonnes in total are handled. The plant works continuously around the clock with three eight-hour shifts. The whole operation is computer controlled and human workers are conspicuously only by their absence. Most of the "voices" heard are computer simulated.

man workers are conspicuously only by their absence. Most of the "voices" heard are computer simulated.

### Sweet water production

But apart from aluminium, which it exports to more than 20 countries, most of it to Japan, the US, and Iran the company also produces an average of 18.8 million gallons a day of desalinated water for the city of Dubai. Energy constitutes about 40 per cent of the reduction process and Dubai's power plant, which comprises five large and eight smaller gas-fired turbines, produces enough power equivalent, says their information department, to 4 million boiling electric kettles.

What makes Dubai's plant unique is the combination of using surplus power and waste heat from the gas turbines to produce desalinated water. Where else can you find a plant that makes metal and freshwater? At the end of 1984 the Government of Dubai agreed to the construction of extra evaporators, bringing the total to nine. According to Ian Livingstone, Dubai's chairman and chief executive, the company is still waiting final go ahead for the evaporators which will increase the output of sweet water to some 45 million gallons a day.

"We can produce more water less expensively than by any other method," is Livingstone's modest claim. "We also have plans to use more natural gas after we have modified some of our equipment."

He believes that the developments at Jebel Ali should help Dubai but it was too early to say whether any of the new companies coming to the FZA would be interested in using aluminium as a raw material.

"There are possibilities, but no active discussions at present," admits Livingstone. It is really the overall world

market that determines these things".

### Power - and more water

Apart from the sweet water manufactured by Dubal,



The Dubai Aluminium Works has its own special quay at Jebel Ali for unloading alumina and other materials for its smelter.

the other major source is from the Dubai Electricity Company's power station and desalination plant near Jebel Ali. The company has two power stations - the other is the Satwa gas turbine station at Port Rashid in Dubai city. The Jebel Ali plant has a capacity to produce 650 MW and 31 million gallons of water daily via its eight steam turbines and two gas turbines.

The enormous growth in installed capacity from a mere 131 MW in 1976 to its present level of 650 MW and the rise in the number of consumers from just under 30,000 to more than 91,000 today reflects the overall economic development of Dubai.

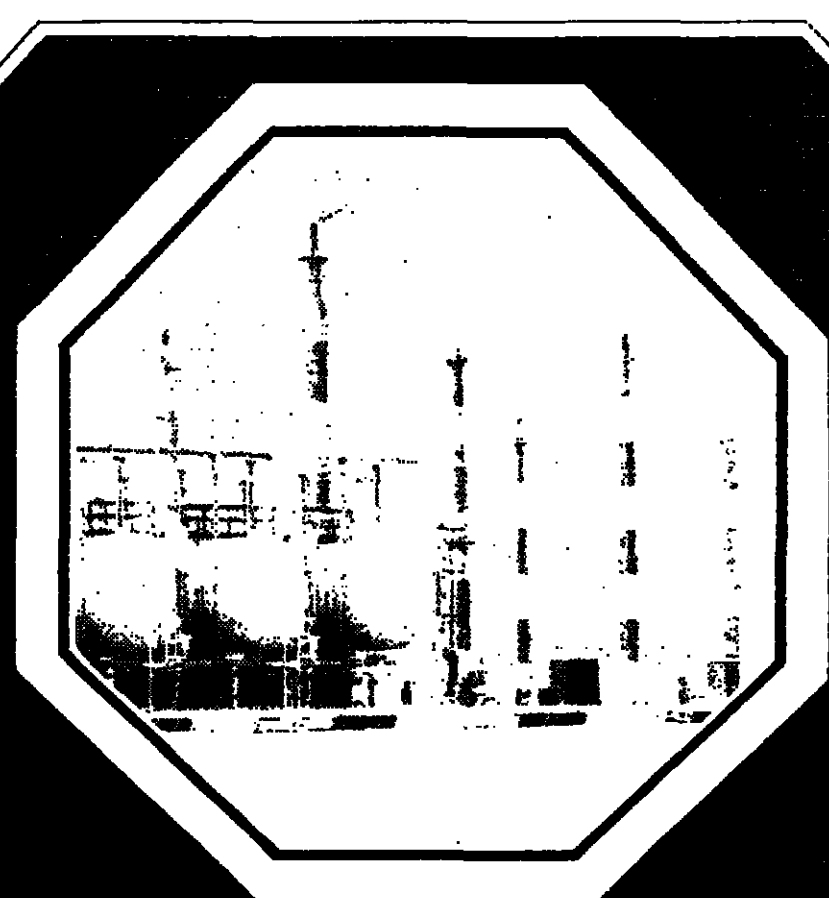
The existing desalination plant at Jebel Ali produced about 5 million gallons a day last year, 53 per cent more than in 1983. Because of the increasing demand for water and power a new gas turbine and desalination station is to be built near the existing site.

### New station ready by 1987

The new station will have three or four gas turbine and a multistage flash desalination plants. This will produce another 200 MW and up to 20

million more gallons of water daily. Waste heat from the gas turbines will be used in the desalination process in similar manner to the Dubai system. The new gas turbines should be running next year and the whole plant operational by the end of 1987.

According to a spokesman at the company the main problem is to be able to meet the peak load for power during the height of the summer months when everyone switches on their air conditioning equipment at 3 p.m.



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As well as producing aluminium, Dubal also makes 18 million gallons a day of sweet water by using the waste-heat from its gas turbines.

## What They Have To Say About The New Free Zone Development:

"I feel we have taken a step in the right direction and it is one way of reducing the trade barriers which will make Dubai more attractive to the businessman."

— Sultan Bin Sulayem, chairman of the Jebel Ali Free Zone Authority board.

"We want to offer a one-

service stop here at the Jebel Ali Free Zone."

— Charles Heath, marketing director Jebel Ali Free Zone Authority.

"As far as I am concerned anything that brings in more business to Dubai is going to be the best thing... but I want it overnight."

— Mohi-Din Abdulkadir Binhend, director general, Department of Civil Aviation, Dubai.

"Now we have provided the means for foreign companies to operate free from new restrictions."

— Bill Duff, financial expert, and member of the Je-

bel Ali Free Zone Authority. "We want to give a big push to our economy, but we do not want to destroy what we have built."

— Abdul Rahman G. Al Mutaiwee, director general Dubai Chamber of Commerce and Industry.

"I am amazed at the amount of construction going on here, particularly accommodation so there must be plenty of confidence."

— Walter Annen, general manager Hilton International.

"We were cramped for space at Port Rashid and have had to move some of our facilities to Jebel Ali... there's a lot of potential business which might come our way."

— S. Nemazie, marketing services manager, Caltex.

"We moved to Jebel Ali because we needed the kind of facility which the cold store offered us and as a centre for our Middle East distribution."

— Polaroid Film corporation spokesman.

"If I knew what I know now and I was in Europe or the US I would jump at the opportunity to come here."

— Majeed Khalil, general manager Dubai Metropolitan Hotel.

"Jebel Ali has become a very important operation for us; we were one of the few to take the place seriously in the beginning."

— Issa S. Baluch, manager, Gulf Express Freight.

"The Free Zone must help, but, on the other hand success is going to be strongly influenced by what happens in the Gulf."

— Ian D. Livingstone, deputy chairman and chief executive, Dubai Aluminium Company.

"It is located in a strategic position in the Middle East which is one of the main markets in the world."

— Saeed Juma Al Naboodah, president Dubai Chamber of Commerce and Industry.

"We've been here twenty years and are practically part of the local scene... and we see that Dubai has the resources to make Jebel Ali work."

— Arthur E. Deffas, vice president, Citibank, Dubai.

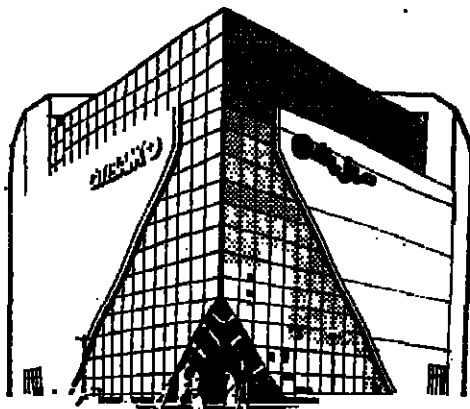
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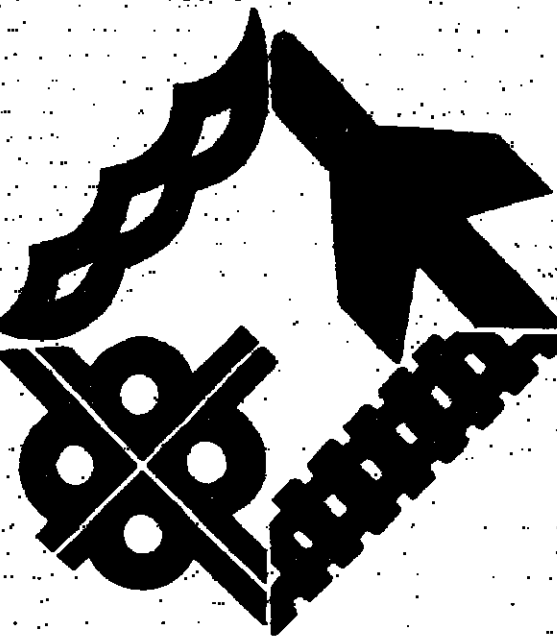
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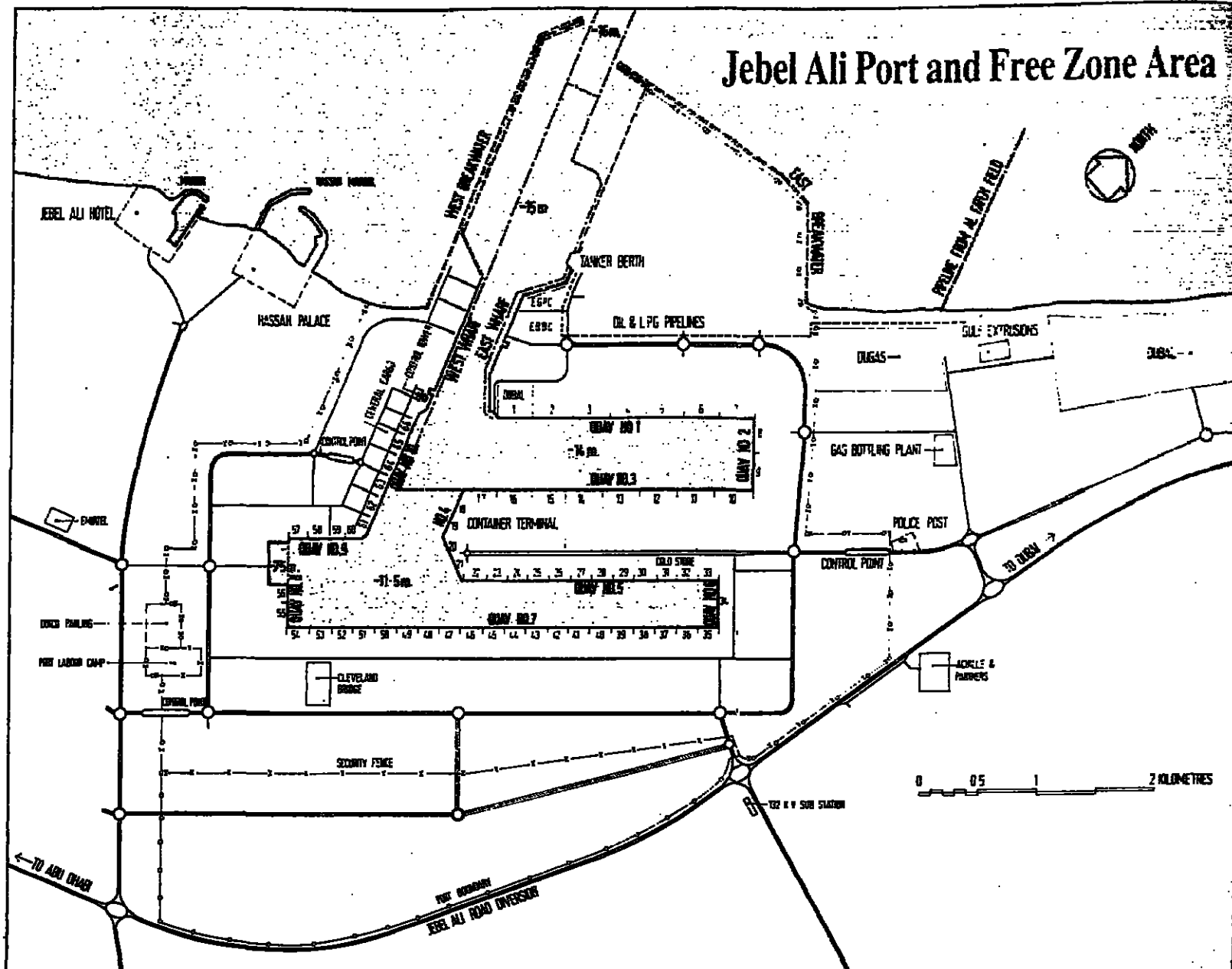
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## Stronger Banking Sector has Key Role to Play in New Development

The ground breaking ceremony for Jebel Ali in the summer of 1976 was a dramatic occasion attended by the leading Shaikhs, senior diplomats, bankers and journalists. Before the actual event, few of the foreigners present had known where Jebel Ali was on the map. In the evening the Ruler of Dubai, Sheikh Rashid bin Said Al-Maktoum entertained his guests to a dinner in the Beach Palace.

It was the high water mark for expansion of the banking industry in the UAE. Many of the bankers who chatted with Ahmed Baqr of Dutco, the main sponsor of the foreign contractors involved in building Jebel Ali's port, looked forward to the prospect of opening branches in Jebel Ali New Town, or at least in the 39-storey Dubai International Trade Centre which marked the 1976 limit of Dubai on the long empty road to Abu Dhabi.

Today, several banks including Amsterdam Rotterdam Bank which received an offshore licence in 1976 are housed in the plush and prestigious Trade Centre but little activity has taken place at Jebel Ali itself. The only widely publicised bank branch opening in the UAE in 1985 has been a ceremony at the inland oasis city of Al Ain. Yet the ambitions expressed in the Free Zone legislation announced in April clearly envisage a role for local and foreign banks to service business brought to the UAE by the Jebel Ali project.

The scale of Jebel Ali as a satellite city of Dubai is much smaller than originally planned, since at one time Shaikh Rashid had in mind a whole new city, with a projected population of 67,000

first earth movers trundled onto the site.

Four mergers this year It was already clear before oil revenue of the Gulf co-operation Council (GCC)

some other family owned banks in the UAE have come under close scrutiny by the Central Bank, with the result that since the beginning of 1985 four bank mergers have taken place. Central Bank Governor Abdel Malik al-Hamar said in May that there will be more mergers.

Among the banks affected by the mergers policy have been the Emirates National Bank, now merged into Union Bank of the Middle East which itself is now owned by the Government of Dubai. Another 1976 bank, Federal Commercial Bank, has joined with Emirates Commercial Bank and Khaleej Commercial Bank to form Commercial Bank of Abu Dhabi.

The mergers news is a reflection of the fact that the UAE with its population of just over 1 million has suffered from an imbalance in the industry which only now is being adjusted.

### International Banks

The foreign banks have come under review by the Central Bank and branches have been cut, but they still hold a valuable segment of the total banking scene. The National Bank of Dubai and British Bank of the Middle East handle part of the Dubai Aluminium account at Jebel Ali and the Toronto Dominion is in a similar privileged position with the Dubai Gas Company in the industrial zone.

Lloyds Bank International, of the UK, is another bank with an entrenched position in the economy, having played an important role in financing some of Dubai's industrial projects, including the aluminium smelter at Jebel Ali. One of the longest established foreign banks is Citibank which has been in Dubai for more than 20 years.

The leading figure, apart from Central Bank Governor Al-Hamar in disciplining the banking sector has been Minister of State for Finance, Ahmad Humaid al-Tajer. He first came to prominence in 1977, when the expatriate head of the UAE Currency Board resigned, following the closure of two banks and a run on the Dirham. Al-Tajer was one of a triumvirate of UAE nationals who

took control and paved the way for the establishment of a fully fledged Central Bank in 1980. Al-Tajer's tough no-nonsense, or sentiment, approach has helped to maintain international confidence in the UAE as a trading partner.

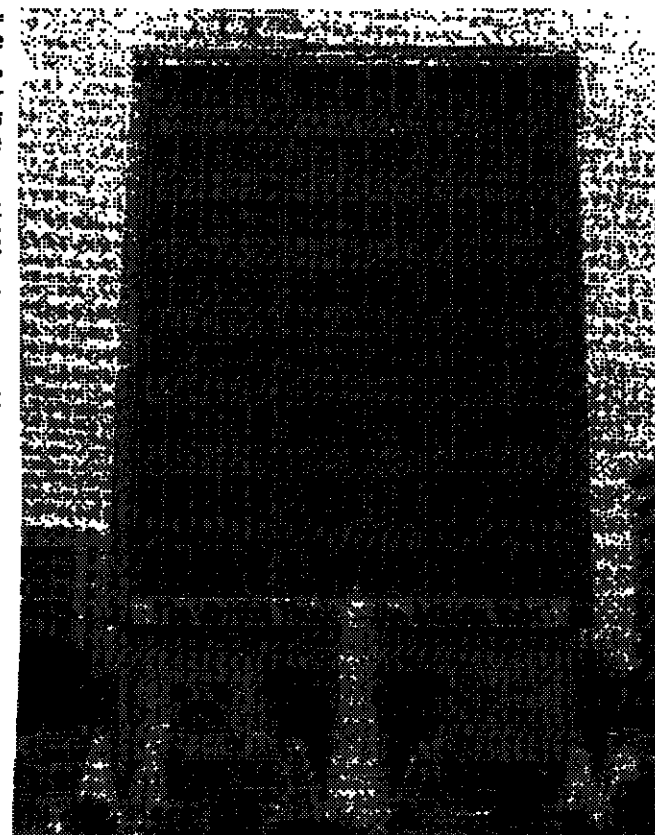
Al-Tajer's intention is to cut the number of UAE local banks from 23 to 12. In a recent interview, he explained the attitude of the Dubai authorities which are now very much in line with the federal government standpoint. "The Government does not want to see any bank or business collapse here, so what we are doing is for the country's reputation and to help the private sector. We have to encourage the banks to merge."

### Improved position

The Minister of State is highly critical of the family-owned banks, where the directors imprudently borrowed from their own institutions. Foreign bankers point out, however, that the UAE authorities, in particular the Government of Dubai, have acted in a highly responsible manner in underwriting the local banks. Some even go so far as to suggest that the UAE is in a much stronger position to deal with financial accidents in the banking community than in Bahrain, with its large offshore banking enclave, but relatively weak regulatory monetary agency.

In the current round of bank reporting on their 1984 results local banks are revealing the level of their inner reserves. Foreign owned banks must now publish full figures. The disclosure requirements still fall far short of US requirements, where banks are required to aggregate both non-performing loans (when interest is more than six months overdue) and loan loss reserves, as separate percentages of total loan portfolios. They are nevertheless considered a step in the right direction.

What is emerging in the UAE is a better regulated banking system which will be more able to act as a partner in developments, such as the Jebel Ali Free Zone.



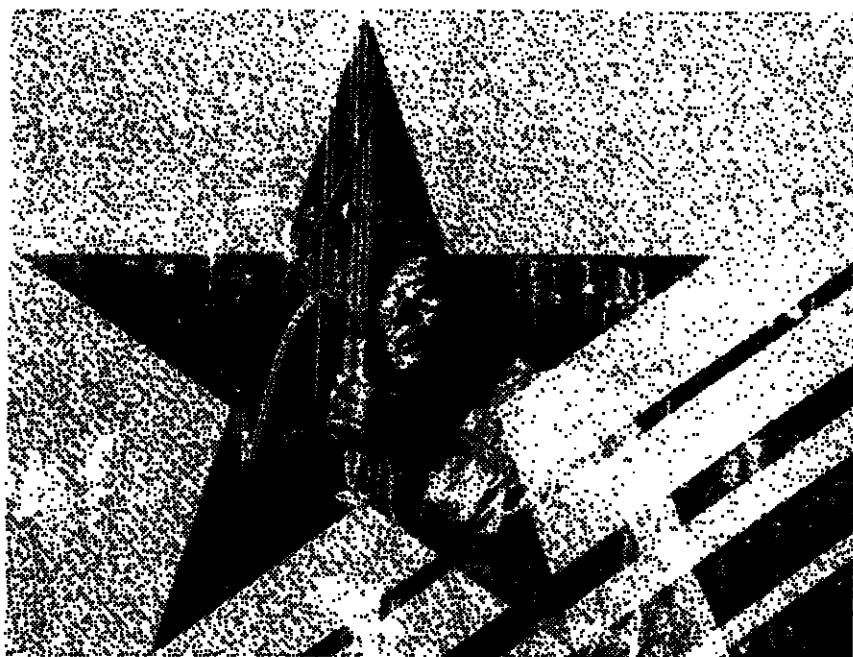
The British Bank of the Middle East offices, Dubai

people in four years. Dubai itself has had to face up to economic setbacks, since contractors began work in the summer of 1976, with such faith in the thinking of the Ruler, that contracts had not even been signed when the

countries peaked in 1981 that the UAE was overbanked. The last two to be licensed in Dubai as full commercial banks were Union Bank of the Middle East and Emirates National Bank, both in 1977. Since 1983 these and



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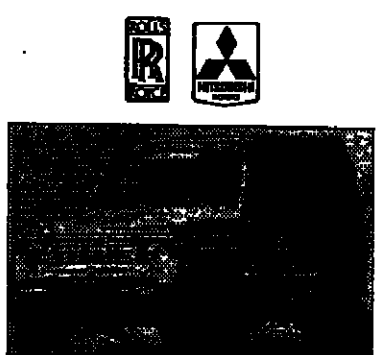
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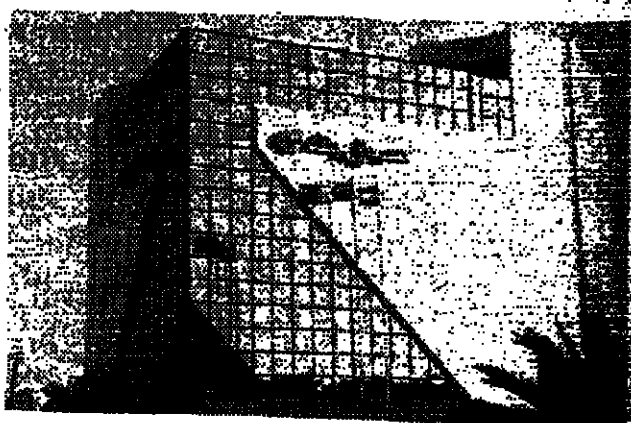
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## Commerce Chamber Taking Consultative Lead in Free Zone Expansion

It is Dubai's "open-door" policy towards commercial enterprise which has largely contributed to its economic success and earned it the title of "city of merchants". Dubai's prosperity has been founded on its expanding commercial links between the Middle East, Europe, the Asian sub-continent and South-East Asia. Its imports and re-exports, the entrepot trade, have been the backbone of its rapid expansion.

The Dubai Chamber of Commerce and Industry, whose modern offices overlook the Dubai Creek, has been instrumental in maintaining and improving the overall business environment which makes the city so different from others in the region. The chamber has also played a leading role in the

development of Jebel Ali which it sees as complementary to the activities of Dubai.



Abdul Rahman G. Al Mutaiwee, Director General, Dubai Chamber of Commerce and Industry, and a member of the FZA Board. Dubai can play an important role in utilizing the FZA facilities.

ba's own merchants in the city.

Its director general, Abdul Rahman G. Al Mutaiwee, is one of the five board members of the newly created Jebel Ali Free Zone Authority. He has had the task of bringing together the hearts and minds of Dubai's business community and those responsible for running the port and industrial complexes at Jebel Ali.

### Creating a "big push"

"We are now preparing the final rules and regulations for the Free Zone," says Mutaiwee. He sees Jebel Ali as a catalyst for further economic development in Dubai which has suffered, not so much because of the overall world recession and decline in trade, but more from the conflict

between Iran and Iraq which had been important trading partners for Dubai.

"We had to search for something new and create a 'big push' for our economy," adds Mutaiwee. "There has been an incredible interest in the Free Zone and it is proving very fruitful so far."

His Excellency Saeed Juma Al Naboodah, president of the Chamber and one

of the Free Zone, will now be different from others in the world because of four basic reasons:

1. It is located in a strategic position in the Middle East which is one of the main markets in the world.
2. Energy costs are inexpensive because of local hydro-carbon resources.

He goes on to explain that the Free Zone, will now be different from others in the world because of four basic reasons:

### Finance available

Also there were a number of local businessmen, with a lot of local experience, who would be prepared to help finance further joint ventures if required.

He thinks that there are opportunities for many kinds of projects at Jebel Ali. These could include those using natural energy resources such as oil and gas; companies wanting to finish or assemble semi-manufactured goods which could be marketed in the region thus saving freight costs; and companies which would benefit from "no quota" restrictions. Ideally, Naboodah would like to see more capital-intensive plants with low manpower needs at Jebel Ali. It would be some years before Dubai felt the practical effects from the newly established companies - thirty of which were already in the pipeline - at Jebel Ali.

Both Naboodah and Mutaiwee agree that the interests of Dubai's merchants must be safeguarded by future developments at Jebel Ali although they did not see any direct conflict of interests.

"We want to give the Dubai people even more business because it is the merchants

who are Dubai - they are its livelihood, its economy, its commerce," says Mutaiwee. "The Free Zone's expansion is the result of interest and constructive ideas from some of the most important businessmen in Dubai's industrial and commercial circles".

### Difficult lead to follow

The news of the expanding activities of the Jebel Ali Free Zone has aroused a certain amount of comment and criticism from the surrounding region. Reports are circulating about other proposed free trade zones in order to help boost local economies along the lines that whatever

Dubai does today must be good for someone else tomorrow.

However, Naboodah is somewhat sceptical of others trying to emulate Dubai's success and innovation. He says:

"The commercial atmosphere and mentality of its businessmen are historical and traditional and thus hard to compete against. Therefore, since Dubai is so old established and well in the lead we don't expect our innovations to be copied - the expected success of Jebel Ali will be founded on other successful factors in Dubai which might be hard and hazardous for others to follow".



Dubai's City Hall - a futuristic building within a building by the creek. There is to be close cooperation between the city and Jebel Ali.

of the city's leading businessmen, is a firm believer in Dubai's traditional liberal attitude towards commercial development. The city had established itself as the leading regional trade centre for the Gulf region and the Jebel Ali Free Zone would help to increase this activity.

"There is no doubt that the formation of the Free Zone will boost the role of Dubai," says Naboodah. He explains that the Chamber is acting in a consultative economic role between Dubai and the Free Zone which is why his colleague had been appointed to the Free Zone Board.

### Free Zone idea 'always there'

Although the limelight is currently on the expansion and enhancement of the Free Zone at Jebel Ali, Naboodah says that it had always been the plan to have a Free Zone at the port which was one of the main reasons why Jebel Ali had been built in the first place. After its opening in 1980 a limited FTZ had been established.

## Construction Company's Growing Links

Khalaf Al Habtoor is a man with many interests in Dubai ranging from being a marble importer to acting as the sole local agent for Rolls Royce cars. In 15 years, 35-year-old Habtoor has built up a highly diversified business empire which also includes one of the most progressive construction companies in the UAE - Al Habtoor Engineering Enterprises (HEE).



Mr. Khalaf Al Habtoor.

Already the company has built the new Dubai General Hospital and the maternity hospital in the city. Unusually, HEE is also developing its interests abroad. It is now involved in Bahrain and Jordan.

In Bahrain HEE is taking part in the multi-million dollar Arabian Gulf University project. In Jordan HEE is building the Zarqa Ma' In Spa complex and the Islamic Bank Housing contract.

One of its most prestigious operations is in the marble field. Al Habtoor Marble import some of the world's finest marble from Italy, and elsewhere, which is used in many of Dubai's luxurious buildings. As the original HEE company expanded Habtoor decided to establish Construction Machinery Centre (CMC) to provide machinery and equipment for the civil engineering and building industry. Recently HEE received the 1985 International Asia Award in recognition of its work.

Al Habtoor's Dubai Metropolitan Hotel has also recently received two international awards for its contribution to trade and tourism development.

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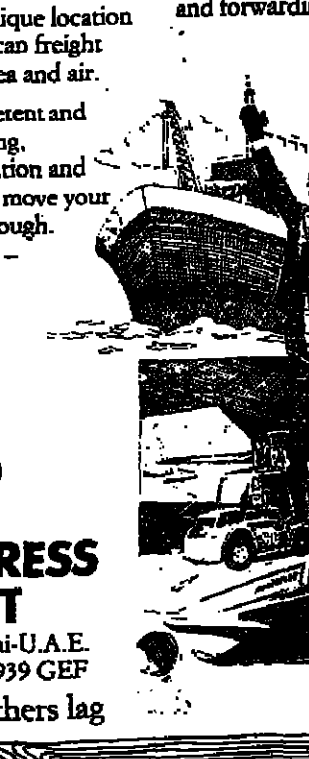
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## More Than a Hole in one for Local Contractors

### A major part of the Jebel Ali port works were carried out by a partnership between

Dubai Transport and Paving in the name of Dutco Paving (Private) Ltd which was awarded a subcontract for excavating the 3.7 km long 800 metre wide inner basin. This was only slightly smaller than the adjoining outer-basin which together represented two of the largest man-made holes in the world.

The inner basin alone needed more than 33 million cubic metres of material removing from the virgin desert ground which had been chosen for the port area. In some cases it was necessary

to excavate down to a depth of 18 metres below the existing ground level. Two thirds of the material which had to be removed was solid rock which had to be drilled and blasted out before it could be taken away by an army of tracked excavators and 50

tonne capacity dump trucks. Because of the very high temperatures which exceed 50 degrees centigrade in the summer, the trucks which had to haul the excavated soil more than 5 kms away had to keep their speed down to under 48 kmph to avoid overheating their tyres. Even so movement was forbidden during afternoon peak heat

periods when blasting took place instead.

The main harbor works began in 1977 and were completed during 1981. The consulting engineers for the project were Halcrow International Partnership, Dubai. The main contractor for the dredging work was Gulf-Cobla with Dutco and Costain-Blankevoort assisted by the Chicago company, Great Lakes Dredge and Dock Company.

Civil engineering works were carried out by the Mina Jebel Ali Construction joint venture (MJAC) which consisted of Dutco, Balfour Beatty Construction and Stevin

Middle East.

Although construction activity has passed its peak in Dubai, because most of the infrastructure both in the city and at Jebel Ali is complete, companies like Paulings, Dutco, Balfour Beatty are still active. So too is Cleveland Bridge, which has been responsible for most of the civil engineering prefabricated steelworks at the port and elsewhere. Cleveland, which was one of the first companies to move into Jebel Ali, and the other construction and engineering companies, are hoping that the developments in the Free Zone will stimulate further works.

A Lauritzen Reefer discharging cargo at the Jebel Ali Cold Store which is one of the largest in the Middle East. More and more companies, such as Polaroid, are now using the store as a distribution point for their special products.

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## Trade Centre Plays Complimentary Role With Exhibitions and Offices

Today, Dubai's dominating 39-storey International Trade Centre building symbolises the "wider perspective" which the Emirate has gained. It offers a host of facilities for companies including office space and accommodation in the Hilton apartments alongside. It also organises some of the most important conferences and exhibitions in the Middle East which are held in its own exhibition halls. Because of increased demand for large

capacity exhibitions a new \$3.5 million hall is currently under construction and should be ready for the next season.

Although the centre was greeted with some scepticism when it first opened in 1978, office suites are now almost at a premium with more than 90 percent occupancy which sometimes rises to nearly 100 percent.

The trade centre and its exhibitions, which include a number of major international

events, has become the shop window for the Gulf region.

"The exhibition side of our business has been growing so fast that we have been forced to add another hall totalling 45,000 sq. ft.," says Guy Guillemard, general manager of the Trade Centre Management Company.

When the trade centre opened provision was made for only one comparatively small exhibition hall. Three years ago a second hall was

added doubling the total space to 74,900 sq. ft. to meet the needs of exhibitions such as Arab Health, Motexha, Arab Water and Technology and the Gulf Computer Show.

The addition of the new hall will enable even larger exhibitions to be staged. Earmarked for later this year are the Middle East Agriculture Exhibition and Conference, Hotel 85, Motexha and Childexpo and the 5th Gulf Computer Exhibition.

Work started on the new hall in April and is well underway. When completed by November it will provide the largest single air-conditioned exhibition space in the Middle East when used in conjunction with the existing display space.

Clive Lowe, technical manager, describes the construction and finish of the new hall: "Many design criteria have been derived directly from this twin-use objective.

These include clear ceiling heights of five metres, under-floor services, largely column-free rectangular space: the design of steelwork will have a visual impact internally and externally... the partition between the two halls will offer total separation on some occasions and completely free access on others."

Major international groups are among the 100 or so companies which have taken office space in the central tower block which is the highest building in the Middle East. They include IBM, Westinghouse Electric, Kellogg, Johnson & Johnson, Philips Industries, Den Norske Creditbank, Lloyds Bank International and many companies associated with the oil and gas industries.

The Jebel Ali Port Authority has also had an office in the tower and the new Free Zone Authority will be working closely with the trade

center management in the future. The management sees the centre's role as being complimentary in many ways to what will be going on at Jebel Ali which is almost visible from the top of the tower depending on the weather.

Some of the companies which are presently in the tower may move to Jebel Ali. If they are multi-national companies, according to the regulations some of which have yet to be finalised, they will still be able to take advantage of the Free Zone facilities while maintaining a presence, perhaps for administrative and communications reasons, in the tower as well.

Precisely how this is going to be done will depend partly under which licence such companies intend to operate in the future, (see story on page 3).

The trade centre management do not foresee any companies moving en masse from the tower as it would not necessarily be to their advantage. On the other hand there is a strong feeling that many of the international companies which are being attracted to Jebel Ali may also want to have offices downtown in the tower.

"This is what we are hoping and expect," said a management spokesman confident that what is good for Jebel Ali is going to be good for the Trade Centre.

### Luxury apartments

Apart from the office accommodation another side to the complex are the three blocks of self-contained apartments alongside on the direct route to Jebel Ali. There are 492 apartments altogether of which about 85 percent are occupied. There is a very

high standard of accommodation which could prove ideal for executives whose companies have moved into the new Free Zone at Jebel Ali which is less than 20 minutes drive away.

Guillemard says that last year they had about one dozen families living in the apartments whose work was in Abu Dhabi as they found the rents to be so competitive. Taking into account the range of services and recreational facilities which the apartments can offer rents compare very favourably with individual private apartment blocks in Dubai, Deira, or Jumeira.

The only accommodation at present available any nearer Jebel Ali, apart from the Metropolitan Hotel, the Jebel Ali Hotel, are the existing villas in Jebel Ali village itself almost all of which are constantly occupied.

## Hotels Prepare For Busier Times Ahead

Looking at the glistening white yachts and motor cruisers gently rolling on the swell in the marina by the Jebel Ali Hotel, it is difficult to realise that just over the horizon is the largest man-made harbour in the world. Only the occasional smoky haze from the flared gas waste at Dugas gives a hint of the industrial activity.

With its beautifully landscaped gardens and greens, and its flock of peacocks strutting under the shady bushes, the hotel is a more than welcome oasis in the surrounding desert wilderness. Nestling in the enveloping facade of the four storey building is one of the most perfect pool settings to be found anywhere. Young palm trees scattered with meticulous care over the sloping ground which runs down to a pristine beach give cover from the scorching sun.

regular tourism from Europe with regular groups coming from Italy, Austria and Switzerland. The hotel is also used by a number of airlines for their flight staff. But it is at the weekends — Thursdays and Fridays in the Moslem world — that the hotel comes to life as expatriates flood in with their families and friends.

The hotel can offer them unrivalled facilities with its squash and tennis courts, golf course, marine club surfing, sailing and diving. And it is not expensive either. In fact there is a special offer under a "week away" scheme which works out at only about \$300. The hotel also caters for the top end of the market with its four presidential penthouse suites which can cost up to nearly \$1,000 a night.

Situated beyond the southwestern end of the Free

to Dubai and wants to go to Jebel Ali has to come by our door, so why not stop here?" argues Khalil. In order to attract more business activity he has introduced a number of spectacular innovations from an auto show, the largest in the Emirates, to the extremely successful Dubai International Horse Show, the first of its kind in the Gulf. Last year Princess Anne, from Great Britain, took part in the three-day event. This year's event is to be held in December and an even larger entry is expected.

Khalil also innovated the "room and drive" offer. Book a room for a certain number of nights and a hire car was thrown in free. In addition the hotel, in common with all others in Dubai can now sponsor those visitors from abroad who need visas to enter the Emirate. Previously visitors could only be sponsored by a local business partner or certain official or semi-official organisations. This rule no longer applies. If you let Khalil know when you are coming, a car will also meet you at the airport and bring you to the hotel. Other hotels do offer similar courtesy services, but usually with coaches or minibuses. (The Hyatt Regency has liveried chauffeurs).

### Awards for Metropolitan

This year the Metropolitan received the Islamic Trade Award. In 1984, it gained the International Award for the Tourist and Hotel Industry for the United Arab Emirates.

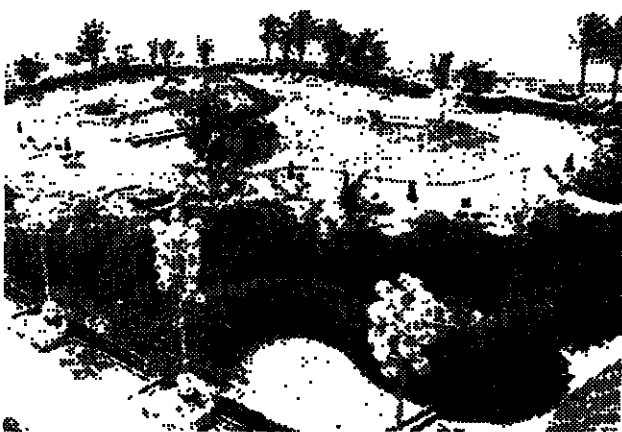
Nearer to the city is the Hilton International where Walter Annen, general manager, believes the Free Zone will create many more opportunities. "Everyone should benefit — the hotels, real estate developers, the restaurants, car hire companies and employment generally," says a bullish Annen who sees Dubai entering what he describes as "a normalising period."

"There will be no return to the old gold rush days," adds Annen who came to Dubai seven years ago at the tail end of the economic boom period. The hotel's public areas are being extensively remodelled to provide more facilities for functions and recreation including a stylish British tavern.

At one time there was a drastic shortage of hotels and leisure facilities in Dubai. Today the situation has changed. Alongside the creek are several large internationally managed chain hotels and some smaller locally run but acceptable hotels for the discerning visitor.

These range from the dramatic symbolic concrete and glass show-shaped Sheraton, next to the McDermott International oil field supplies service depot shortly to be vacated (it is moving to Jebel Ali), to the old established Carlton Tower. The Carlton was one of the first modern hotels to be built in Dubai back in the seventies. Nearby is the Intercontinental conveniently near the Dubai Chamber of Commerce and Industry.

Because of the surfeit of rooms, prices are infinitely negotiable at the time of booking and vary considerably from one hotel to another. Normally a businessman can be expected to pay around a basic \$85 a night for first class accommodation with colour TV, refrigerated minibar and other usual facilities.



Jebel Ali Hotel: the luxurious pool and marina.

Ten years ago such a setting would have been almost impossible to find in the Gulf. Today there are other hotels with facilities that would be the envy of any of the world's better known resorts from Rio de Janeiro to Waikiki. Few, however, can compare with the beautiful surroundings of the Jebel Ali Hotel where the standard of service is just as attentive and the cuisine equally matched.

Zone, the Jebel Ali Hotel is surprisingly enough not quite the closest depending partly on which part of the port you are trying to reach.

### Princess Anne visits

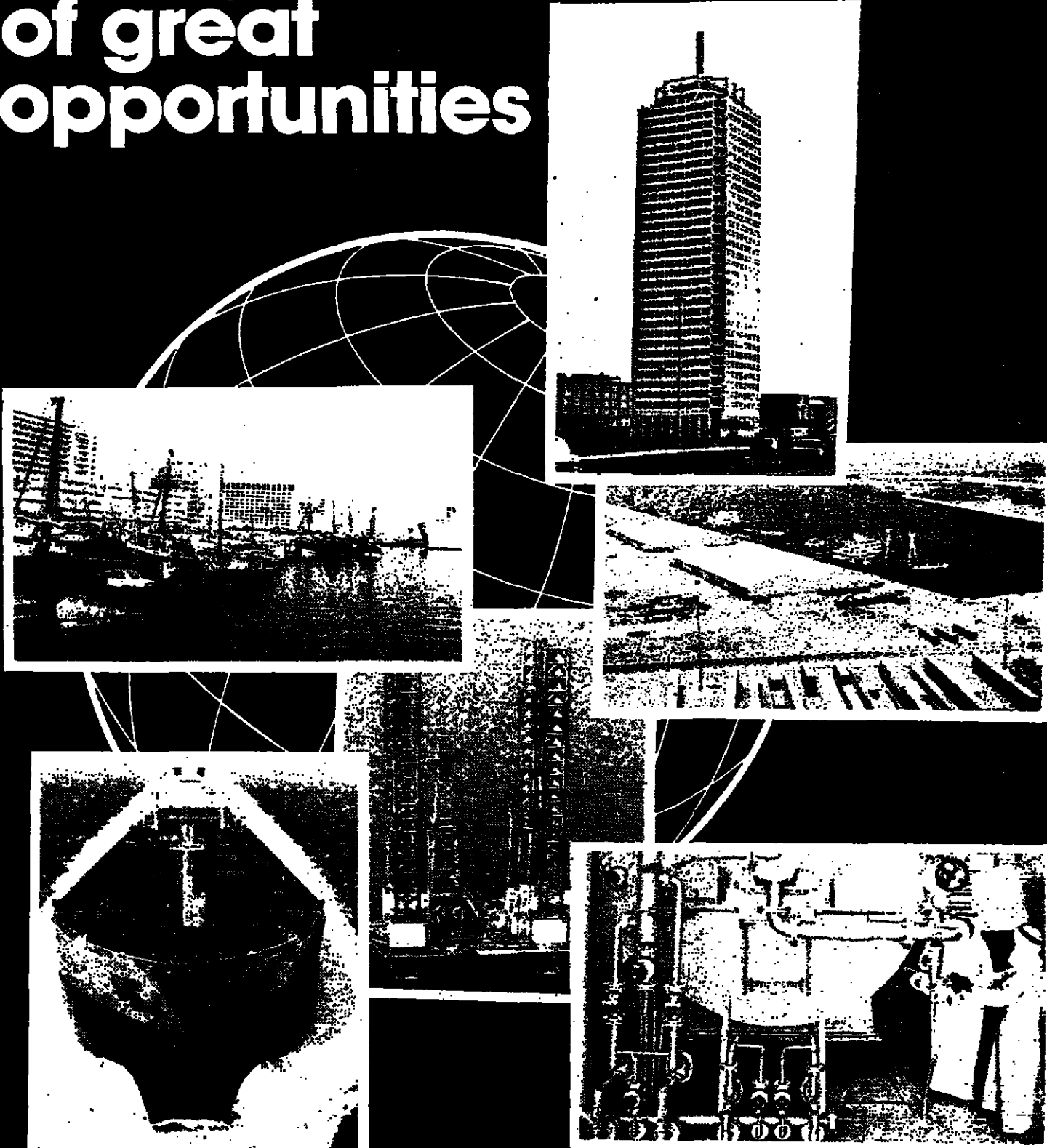
That distinction probably goes to the Dubai Metropolitan Hotel which lies on the main road out of Dubai city well past the International Trade Centre. Majeed Khalil, who is the general manager and one of the keenest promotional entrepreneurs in Dubai, also expects a surge in business from the Free Zone.

The hotel, which is part of the widely diversified Al Habtoor group, is in an isolated position chosen originally because it was to have been near the new airport. In the end this was built closer to the city.

"Well, anybody who comes

Unrivalled facilities Margaret Hennessy, who has been on the hotel management staff for just over a year, says the hotel is now looking expectedly to a flourish of new business from companies coming to the Free Zone. During the week, the hotel is less than busy although major efforts are now being made to increase

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INTERNATIONAL MANAGER

Control Data's EAR  
Listens to Problems

By SHERRY BUCHANAN

International Herald Tribune

LONDON — The last person from whom you would expect to get some Tender Loving Care is a manager in your company. Yet four years ago, Control Data Ltd., the British affiliate of the U.S. computer company, began a service, the Employee Advisory Resource (EAR), to help employees and their families with personal problems, including those related to work.

The parent Control Data Corp. has had an EAR in operation since 1974, and is one of the few U.S. companies to have introduced this kind of service to its European subsidiaries. First in Britain and more recently in France, the Netherlands and West Germany, Johnson & Johnson Ltd., the British unit of the U.S. health and personal-care products company, has recently begun a similar service.

According to Control Data staff members in Europe, the service has been a success. A poll done by Information at Control, the service at Control Data France SA, showed that 92 percent of those who had used it were satisfied.

In the London headquarters of Control Data Ltd., EAR gets 500 calls a year. Control Data has a staff of 350 at its headquarters and employs a total of 2,300 in Britain.

"It's there because of the philosophy that a troubled employee doesn't perform well," said John Hall, the manager of EAR in London. He reports directly to the managing director.

The service is free, voluntary and confidential. "One of the imperatives for such a system to work is that it be totally confidential; we cannot afford any leaks," said Jacques Schmidt, manager of corporate communications at Control Data France, who set up the service there. To ensure confidentiality, France's EAR manager does not have to account for expense account lunch partners by name.

EAR keeps records on employees' problems for statistical purposes only. According to Mr. Hall, even if the records were broken into it would be difficult to decode the information and associate an individual's name with a specific problem.

TWO-THIRDS of the calls to EAR in London are for purely personal problems. Yet it also provides advice on a wide variety of legal, financial and other practical services, such as probating a will or getting redress from a cleaner who has ruined your best suit.

Critics of the service argue that a company has no business interfering in private affairs. Or, that it is not up to the company to provide employees with psychological help.

"It was very anti," said Brian Lawrence, manager of marketing and development at Control Data in London. "From a political point of view, we already have a country that throws too much at its people. Maybe this was just another form of that. I couldn't see the need for it and I didn't want it." He changed his mind after EAR had helped one of his salesmen cope with a difficult situation.

Because EAR advises on all kinds of problems, there is no stigma attached to using it. Opening the EAR office door, on the third floor of the London office building, does not necessarily mean that a marriage is on the rocks or that someone is on the verge of a nervous breakdown.

If EAR refers an employee to a psychiatrist, nobody will know whether the employee actually took the advice and went. If the employee chooses to tell he is undergoing psychiatric treatment, that information will not appear on the employee's company record.

According to Control Data managers who have used EAR, the service helped them cope with some very difficult situations.

One salesman asked his manager for time off from work because the salesman's schizophrenic daughter had run away from home. At a loss, the manager, who was not a fan of EAR,

(Continued on Page 17, Col. 7)

Citicorp  
Earnings  
Rise 22%

5 Other Banks  
Report Gains

Compiled by Our Staff From Dispatches

NEW YORK — Six bank-holding companies, including Citicorp, the world's largest, on Tuesday reported healthy earnings gains for the second quarter compared with the same period last year.

Earnings for the three-month period ended in June rose 22 percent at Citicorp, 33.6 percent at Manufacturers Hanover Corp., 15.5 percent at Security Pacific Corp., 73 percent at Mellon Bank Corp., 16 percent at Wells Fargo & Co. and 67 percent at Crocker National Bank.

Lower interest rates helped them post big increases from securities trading and from management of their investment portfolios. But those gains were partially offset by higher provisions for possible loan losses, which reduce net income.

Citicorp said its second-quarter earnings rose to \$251 million, or \$1.81 a share, compared with \$206 million, or \$1.49 a share, a year ago.

In the consumer banking sector, net income rose 69 percent to \$88 million, spurred by "intensified promotional programs and the continued favorable domestic consumer spending environment," the company said.

Manufacturers Hanover, No. 4 among U.S. banking companies, reported earnings of \$98.5 million, or \$1.97 a share, compared with \$73.7 million, or \$1.41 a share, a year earlier.

Its net interest revenue rose 18.3 percent to \$564.6 million for the quarter, while revenue from other activities including securities and foreign exchange trading and the sale of investment securities rose 47 percent to \$272.8 million.

Security Pacific, the seventh-largest in the United States, said earnings rose to \$79.2 million, or \$1.08 a share, from \$68.6 million, or 93 cents a share, a year ago.

Mellon of Pittsburgh, the nation's 11th-largest, said its earnings jumped 73 percent to \$68.1 million, or \$2.45 a share, compared with \$39.4 million, or \$1.40 a share, a year ago.

Wells Fargo of San Francisco, the 13th-largest, said its net income rose to \$47.5 million, or \$2.05 a share, from \$40.9 million, or \$1.63 a share, a year earlier.

Crocker, based in San Francisco and ranked No. 15, reported earnings of \$10 million, up from \$6 million a year ago. (AP, UP)

U.S. Expands Chip Sales to Korea

Some Analysts  
Say Alliances  
Could Backfire

By Andrew Pollack

New York Times Service

SAN FRANCISCO — U.S. electronics companies are selling and licensing a growing amount of computer-chip technology to South Korean companies, allowing them to advance rapidly in the semiconductor industry, executives and analysts say.

That practice, they note, reflects a new alliance of U.S. and Korean companies against the Japanese, who dominate parts of the supply business for the integrated circuits used in computers and other electronic equipment.

But the transfer has prompted worry that one day the Korean industry will become a competitor capable of hurting the American industry. The Japanese, analysts point out, made major strides by licensing U.S. technology.

"There are people who view it as trading away our future," said Lane Mason, a semiconductor industry analyst at Dataquest, a market research concern in San Jose, California.

The industry risks repeating with the Koreans what happened with the Japanese," said Michael Boruss, deputy director of the Berkeley Roundtable on the International Economy at the University of California at Berkeley. "There wouldn't have been a competitive Japanese semiconductor industry without the transfer of technology."

On the other hand, he said, a properly formed alliance with the Koreans could be "crucial" to successfully competing with the Japanese.

More than a dozen agreements have been signed in the past two years between U.S. semiconductor companies and South Korean companies, especially three large Korean conglomerates: Lucky-Goldstar Group, Hyundai and Samsung Semiconductor & Telecommunications Co.

Goldstar Semiconductor, for instance, last month licensed the technology for an advanced computer memory chip, known as a 64K static RAM, from Fairchild Camera & Instrument Corp.

A RAM, or random access memory chip, allows information on the chip to be retrieved in any order. The term "static" indicates that the chip retains its contents as long as power is supplied to the computer. A 64K chip can store about 64,000 bits of information.

Goldstar, of which 44 percent is owned by American Telephone & Telegraph Co., will pay

Alliances Between U.S. and Korean Semiconductor Companies

Korean Company	U.S. Partner	Semiconductor Project
Goldstar	A.T.A.T.	64K dynamic RAM
	LSI Logic	Semi-custom chips
	Zilog	8 bit microprocessor
	Texas Instruments	64K dynamic RAM
	Advanced Micro Devices	64K dynamic RAM and 256K dynamic RAM
	Fairchild Camera and Instrument	64K static RAM
Hyundai	International CMOS Technology	1K CMOS Eeprom
	Western Design Center	8 and 16 bit microprocessors
	Texas Instruments	RAM's
Samsung	East Microelectronics	16K Eeprom
	Micon Technology	64K and 256K dynamic RAM
	Intel	8 bit microcontrollers and microprocessors
	National Semiconductor	Semi-custom chips
	Zytek	CMOS process

Note: The structure of the alliances differ. In some cases, the Korean company is merely producing a part for the American company in other cases the Korean company is buying technology. In some cases it is both buying the technology and producing the parts for the American company. In others there are joint ventures or equity ownership.

Source: Dataquest

The New York Times

royalties and sell some of its output to Fairchild. Goldstar also has licensed a slightly different type of technology known as dynamic RAM from Advanced Micro Devices Inc., as well as microprocessors, the "brains" of the computer, from Zilog, and semi-custom chips from LSI Logic Corp.

As companies sell technology for quick cash during the current slump in the semiconductor industry, such transfers have become common. Zytek Inc., for example, a semiconductor company that filed two months ago for protection from creditors under U.S. bankruptcy laws, has agreed to license its chip-making technology to Samsung.

With the industry undergoing a shakeout, "a variety of companies will get to the point that they

(Continued on Page 21, Col. 2)

Industry Output  
In Britain Rose  
1% for Month

Reuters

LONDON — British industrial production rose 1 percent in May, according to preliminary figures from the Central Statistical Office.

The figures for April were revised to a 0.3-percent increase from the preliminary estimate of a 0.6-percent rise, the office said.

The index of industrial production in May was 6 percent higher than in May a year earlier. The April year-to-year increase was 3.9 percent.

Manufacturing output dropped 0.2 percent in May, after April's fall was revised to 1.6 percent from 1.2 percent.

The year-to-year increase in May was 1.3 percent in May, against April's 0.2-percent increase.

Sources at the statistical office said Tuesday that the underlying trend in industrial output shows modest growth, while that for manufacturing remains flat.

In the past three months, industrial production was 3 percent higher than in the previous three months, but 2 percent of that was due to recovery from the year's coal miners' strike, which ended in March. The bulk of the remaining 1-percent growth derived from the electricity, gas and oil industries.

The coal and coke output index jumped in May to about 65 percent of its levels of before the strike.

The figures give no hint that North Sea oil output was about to peak. The index for output of the mineral oil and natural gas extraction industries rose slightly in May from April and March.

Motor vehicle output has continued to increase after being affected by industrial disputes near the end of last year. Output for the past three months is 6 percent above the

previous three months and 4 percent higher than a year ago.

Output in the chemical industries in the past three months is 5 percent higher than a year earlier, while that of electrical and instrument engineering is up 8 percent, the figures show.

The office has revised some of its figures to take account of new data, new seasonal adjustment factors and new estimating techniques. For example, industrial production last year has been revised upward about 0.2 percent.

In addition, the office is now only adding 0.5 percent to the index for manufacturing output in the latest month, instead of 1 percent, as it was doing before.

British Steel Has  
Smaller Loss

Reuters

LONDON — State-owned British Steel Corp. on Tuesday reported its smallest loss in eight years.

The company's annual report showed an operating loss before interest of £70 million (\$97 million) for the financial year ending in March, down from a £105-million deficit in the previous year. But for the yearlong coal miners' strike, which cost the company £180 million, British Steel would have had a profit of £104 million last year, Robert Haslam, the chairman, said at a news conference Tuesday.

British Steel was losing almost £2 million a day in 1980 when the Conservative government called in Ian MacGregor, an American businessman, to turn it around. Mr. MacGregor, who now chairs the National Coal Board and who was a central figure in the coal dispute, drew up a plan that has closed factories and slashed the work force to less than 70,000 from its peak of 228,000 a decade ago.

The same disk, however, also can store computer data. One side of a 5 1/2-inch (14-centimeter) optical disk can store up to 500 million bytes of information. It would take more than 700 floppy disks to store that much computer data.

One problem, however, is that once information is stored on a compact disk, altering the memory is virtually impossible. Compact disks are "read only" memory devices.

light-sensitive material stores the digitally recorded sound, which can be encoded and "played" by a laser beam.

On the almost total absence of personal computer companies and software houses, while components companies lined the aisles.

One of the new technologies that has emerged at the show is the optical disk as a high-density storage device. Traditionally, computers have relied on magnetic media such as tape to store computer data. Now, the cost performance of optical technology has made it the potential competitor in the multi-billion-dollar memory-disk market.

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Others at the show commented

Computer Industry Slump Evident at Trade Show

By Michael Schrage

Washington Post Service

CHICAGO — The slump afflicting the U.S. computer industry is plainly apparent at this year's National Computer Conference, a trade show usually brimming with people and exhibits.

NCC officials conceded that the number of exhibitors had dropped from more than 700 last year to slightly more than 600 this year. Several major companies, including Apple Computer Co., Digital Equipment Corp. and Wang Laboratories Inc., skipped the show.

Although the NCC expects this

year's attendance to top last year's 80,000 visitors, the slumps in Chicago's giant McCormick Place center showed more carpet than people.

"Usually it's packed on the first day," said Jerry Gossman, director of computer services at McDonnell-Douglas Corp.

NCC's chairman, Karl E. Martestuck, blamed "economic reasons" for the drop in the number of exhibitors. "In the past, the industry has enjoyed 40-percent compounded growth; now it's growing about 20 percent a year," he said.

Others at the show commented

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Currency Rates

Cross Rates	July 16
American dollar	1.00
British pound	1.93
French franc	6.55
German mark	3.36
Italian lira	2036
Japanese yen	163.6
Netherlands guilder	3.60
Swiss franc	2.00
West German mark	3.36
Yen	163.6

Source: Reuters

Other Dollar Values

Currency per U.S.	July 16
Australian dollar	0.75
Canadian dollar	0.75
Denmark krone	6.46
Hong Kong dollar	7.80
Indian rupee	16.67
Israeli sheqel	3.48
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Yen	163.6

Source: Reuters

First Public Issue  
Of Dollar Bond  
Cleared in Tokyo

Reuters

TOKYO — The way has been cleared for the first public placement of a dollar-bond issue in Tokyo now that Japanese banks and securities houses have agreed to cut fees for non-foreign bond issues, banking and securities sources said Tuesday.

The World Bank may be the first issuer, possibly next week, with a 10-year bullet bond for \$200 million, but details have not been worked out, they said.

The lower fees will be offered by "commissioned banks," which combine the roles of paying agent and trustee.

The trustee fee for non-foreign bond issues by international organizations will be cut to 0.07 percent of the issue volume from 0.1 percent for Samurai bond issues, the principal-paying fee to 0.1 percent from 0.2 percent and the interest-paying fee to 0.15 percent from 0.3 percent, the sources said.

Fee for noninternational organizations will be the same as on Samurai bond issues.

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Dollar Gains in New York

United Press International

NEW YORK — The dollar advanced Tuesday in New York on optimistic financial reports of President Ronald Reagan's illness, but dealers said the dollar remains under a cloud.

"Trading was very quiet," said Carmine Rotondo, chief trader at Manufacturers Hanover Trust. "Nobody wants to do anything" until after testimony by Paul A. Volcker, chairman of the Federal Reserve, to Congress Wednesday and the gross national product report Thursday. "Everybody is expecting 2 percent to 2.5 percent GNP growth and if that is so the dollar will go south. But no matter what happens people perceive the

dollar as weaker and that could be a self-fulfilling phenomenon."

In trading in New York, the pound ended at \$1.9382, down slightly from \$1.9390 on Monday. The dollar ended at 2.884 Deutsche marks, up from 2.875; at 8.75 French francs, up from 8.74, and at 2.388 Swiss francs, up from 2.386.



BUSINESS  
Reports  
In Focus

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
AT&T	234.15	233.75	234.00	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25
BojiTr	233.75	233.50	233.75	+0.25

Dow Jones Averages				
Open	High	Low	Last	Chg.
Index	1338.58	1337.93	1338.58	+12.43
Trans	489.22	488.87	489.22	+10.28
Indus	299.27	298.47	299.27	+5.10
Comp	299.27	298.47	299.27	+5.10

NYSE Index				
High	Low	Close	Chg.	Vol.
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119

NYSE Closing				
Vol.	High	Low	Last	Chg.
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119
1338.58	1337.93	1338.58	+12.43	1,129,119

AMEX Diaries				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

NASDAQ Index				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
233.75	233.50	233.75	+0.25	1,129,119
233.75	233.50	233.75	+0.25	1,129,119
233.75	233.50	233.75	+0.25	1,129,119
233.75	233.50	233.75	+0.25	1,129,119

Dow Jones Bond Averages				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

NYSE Diaries				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

Odd-Lot Trading in N.Y.				
Buy	Sell	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

Standard & Poor's Index				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

AMEX Sales				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

AMEX Stock Index				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

NYSE Prices Reach New Highs				
Close	Prev.	Chg.	Vol.	Chg.
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43
233.75	233.50	+0.25	1,129,119	+12.43

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## NYSE Prices Reach New Highs

**NEW YORK** — Prices on the New York Stock Exchange swept ahead to new highs in active trading Tuesday after the market responded calmly to the latest news on President Ronald Reagan's health.

The Dow Jones average of 30 industrial stocks climbed 12.43 to 1,338.58, topping the record closing high of 1,338.60 it set last Friday.

Volume on the New York Stock Exchange stepped up to 132.50 million shares from 103.92 million Monday.

Advancing issues outnumbered declines by almost 3 to 1. The exchange's composite index jumped 1.12 to 113.05.

Wall Street passed a bull-market landmark when Wilshire Associates' index of 5,000 stocks reached \$2 billion for the first time, rising \$19.5 billion to \$2.015 billion.

Just after the market closed on Monday, doctors reported that a polyp had been removed from the president's colon was cancerous.

But they also said they found no evidence that the malignancy had spread. They estimated the chances of no recurrence of the cancer to be better than 50 percent.

On Tuesday, Larry Speakes, the White House spokesman, said, "There are no complications on the president's road to recovery." Financial analysts said investors were heartened by reports of Mr. Reagan's rapid recovery from his surgery.

However, they also observed that the situation raised some uncertainty about prospects for legislative action on measures being pushed by the president to narrow the federal budget deficit and overhaul the tax system.

At the same time, Wall Streeters were looking ahead to congressional testimony Wednesday and Thursday by Chairman Paul A. Volcker of the Federal Reserve, for possible signs of the future course of the Fed's credit policy and interest rates.

International Business Machines climbed 3 to 128 1/2. On Monday IBM reported lower second-quarter earnings, but the company had given advance warning of those circumstances, and analysts said investors generally were relieved that the news was not worse.

As they studied IBM's quarterly report in detail, some analysts concluded that the company's outlook for the second half of the year and beyond was improving.

Point-plus gains were common among other computer and technology stocks. Digital Equipment rose 3 1/2 to 99 1/2. Texas Instruments 4 to 99 1/2; Hewlett-Packard 1 1/2 to 36 1/2; Data General 1 1/4 to 38 1/2; and Burroughs 1 1/2 to 59 1/2.

American Telephone & Telegraph led the active list, up 1/4 at 22 1/2 on volume of more than 3.3 million shares. The stock fell early in the session after some analysts described it as overvalued, but it rallied toward the close as the general market advance gathered speed.

On the downside, Schlumberger slipped 1/2 to 37. The company posted second-quarter profits of 71 cents a share, down from \$1.01 in the comparable period a year ago.

Nationwide turnover in NYSE-listed issues, including trading in those stocks on regional exchanges, totaled 162.20 million shares.

Standard & Poor's index of 400 industrials rose 2.36 to 214.44, and S&P's 500-stock composite index was up 2.00 at 194.72.

The NASDAQ composite index for the over-the-counter market gained 2.13 to 305.17.

At the American Stock Exchange, the market value index closed at 235.56, up 1.84.

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(Continued on Page 18)



## BUSINESS ROUNDUP

## Marubeni Reports Rise In Income

**TOKYO** — Marubeni Corp. reported Tuesday that group net income rose 260 percent in the year ended March 31 to 26.21 billion yen (\$109 million) from 7.29 billion in the previous year.

Sales rose to 13,706 billion yen from 12,020 billion. Pretax profit was 37.21 billion against 19.14 billion.

The company said favorable interest rates contributed to the sharp rise in income. Revenues from imports and offshore trade increased significantly in 1984-85, the company said, while domestic sales and exports showed steady gains.

Interest receipts rose to 189.15 billion yen from 152.15 billion while nonoperating revenue, mainly from stock sales, increased to 18.71 billion from 9.90 billion.

Imports totaled 2,909 billion yen, up 22.9 percent from a year earlier, while revenue from trading between three countries was 2,661 billion, up 26.7 percent. Domestic sales were 4,563 billion, up 9.9 percent, and exports rose 5.1 percent to 3,573 billion.

Revenue from machinery and construction rose to 3,961 billion yen, up 20.3 percent from a year earlier, and sales of energy-related and chemical products increased 17.1 percent to 3,625 billion. These two categories accounted for about 55 percent of total sales.

## MBB Consortium's Takeover of Krauss Approved

By Warren Geder

International Herald Tribune

**FRANKFURT** — West Germany's Federal Cartel Office on Tuesday approved, as expected, the takeover of Krauss-Maffei AG, the nation's leading tank maker, by a group involving West Germany's largest aerospace concern, Messerschmitt-Bölkow-Blohm GmbH.

A cartel office spokesman in West Berlin, Hubertus Schoen, said the bid was approved on condition that MBB-based MBB, acquiring a 12.5-percent stake under the plan, would not seek to obtain a blocking 25-percent minority stake through informal agreements among consortium partners.

The cartel office had rejected MBB bids over the past 12 months to first obtain nearly 100-percent control of Krauss-Maffei, then a minority 49-percent stake providing for management control.

Any future arrangement within the consortium that would provide MBB with over 25 percent voting power at Krauss-Maffei would be viewed unfavorably, Mr. Schoen said.

Messerschmitt had 1984 revenue of 5.7 billion Deutsche marks (\$1.97 billion at present rates), more than half coming from sales of guided missiles, fighter aircraft and helicopters.

Krauss-Maffei, chief contractor for the successful Leopard I and II tanks, had 1984 sales of 1.9 billion DM, about 1.3 billion DM military related. In addition to battle tanks, the group produces locomotives, traffic systems and plastic processing machinery.

The consortium, understood to have offered about 150 million DM for 81 percent of Krauss-Maffei, includes a smaller arms maker, Diehl GmbH of Nuremberg, as

well as several leading commercial banks and financial institutions concentrated in Bavaria. It is not yet clear, consortium executives said, who will have management control at Munich-based Krauss-Maffei.

RTG Raketentechnik, a 50-50 venture between MBB and Diehl, would acquire 24.95 percent, giving MBB just under 12.5 percent. The largest stake, of 25.5 percent, and the only one by law requiring cartel office approval, is to be purchased by Bayerische Landesanstalt fuer Aufbaufinanzierung, the Bavarian regional finance agency.

The Düsseldorf-based Friedrich Frick Industrieverwaltung KGaA will keep 15 percent, 4 percent by small shareholders.

Messerschmitt, concerned about stagnating sales of its civilian and military aircraft, is eager to com-

bine technology with Krauss-Maffei in both civilian and military sectors. MBB executives have said they are interested in producing a new armored vehicle employing "intelligent weapons systems, such as lasers, developed by MBB and combining Krauss-Maffei tank technology.

Flick group officials have said privately that they were interested in disposing of Krauss-Maffei because the erratic nature of the arms industry was threatening the stability of its larger operations, which include major divisions in paper, chemical and explosives production.

Fueled that concern was the approaching end of a large contract awarded Krauss-Maffei to assemble and supply 990 Leopard II tanks to West Germany and 278 to the Netherlands through 1987.

## Hostile Bid Set For Multimedia

Washington Post Service

**WASHINGTON** — Jack Kent Cooke, owner of the Washington Redskins professional football team, said Monday that he plans to make a hostile cash tender offer of \$70.01 a share for control of Multimedia Corp.

Mr. Cooke said he intends to bypass the company's board by taking his billion-dollar offer directly to stockholders once papers are filed with the Securities and Exchange Commission.

Multimedia's board, which has rejected at least three takeover bids recently, one a \$65-a-share offer from Mr. Cooke, is trying to proceed with its own buyout of about \$55 a share.

## Kleinwort Hires Team From Wedd

By Colin Chapman

International Herald Tribune

**LONDON** — Kleinwort, Benson Ltd., the British merchant banking group, has hired eight senior staff members from Wedd Durlacher Mordant & Co., the London stockjobbers.

Among the team joining Kleinwort are two of Wedd's senior partners, Charles Hue Williams and William Mellen, and partners Barrie Bennett, Keith Humfress and Martin Lupton.

Wedd Durlacher, one of London's major jobbing firms, is about to be absorbed into a new group, Barclays De Zoete Wedd, formed through an alliance with Barclays Bank PLC and the stockbrokers De Zoete & Bevan.

Michael Hawkes, chairman of Kleinwort, said the new team would work with the bank and the stockbrokers Griesvonn Grant "to build our eventual trading and market-making team in equities."

Both Barclays and Wedd said they had accepted the move as inevitable at a time of major changes in London financial circles.

Standard Chartered Bank PLC has appointed Patrick Macdougall chief executive of its merchant banking arm, SCMB Holdings Ltd. and Standard Chartered Merchant Bank. Mr. Macdougall is currently a director of Jardine Matheson in Hong Kong, where his responsibilities include the company's financial services activities. Mr. Macdougall is to succeed Robin Baillie, who has become an executive director of Standard Chartered PLC, directing worldwide strategic planning.

Mellon Bank has appointed Jim Burnham senior vice president and manager of international treasury operations. Mr. Burnham has been the U.S. executive director of the World Bank since 1982, and before that he was special assistant to the chairman of the President's Council of Economic Advisors. He has worked for the Pittsburgh-based Mellon Bank before, as its financial economist.

Datasec Inc., the IBM computer leasing and maintenance company, has appointed David P. Donovan director and general manager, European operations.

## COMPANY NOTES

**Allied Corp.** said it had an after-tax gain of \$241 million on the sale of 50 percent of Union Texas Petroleum Corp., its oil and gas subsidiary. The company also said second-quarter profit rose 17 percent to \$152 million, or \$1.61 a share.

Consolidated, the U.S. government-owned freight railroad, reported a second-quarter net income of \$154.8 million, or \$3.64 per share, down from a record \$178.9 million, or \$6.64 per share, in the same period last year. Revenues for the quarter dropped to \$838.4 million from \$886.7 million.

Continental Illinois Holding

Corp. is the focus of attention of a group led by Brent Baird, an investor from Buffalo, New York. The group reported that it has acquired a 5.8-percent stake in Continental Illinois Holding's common stock as an investment. The group said it paid \$1.8 million for its 2.3 million shares.

Detec Systems Inc. of Minnesota said Swedish-based Pharmacia Inc. is taking a 10-percent equity position in Detec as minority shareholder.

Diamond Shamrock Corp. of Dallas has agreed to pay \$900,000 for the largest ever levered, for failing to report the manufacture of new chemicals under the Toxic Chemicals Act, the Environmental Protection Agency said. The EPA, in a complaint filed in March, had sought \$1.7 million.

Endotronics Inc. of Minneapolis, seller of biomedical and biotech-

nology instruments, said it is setting up a wholly owned subsidiary, Endotronics Far East Ltd., in Tokyo to provide sales, installation and maintenance services to the Far East market.

House of Fraser PLC of London said it had bought another 500,000 ordinary shares of Debenhams PLC, raising its stake to 17.48 million shares, or 10.39 percent.

Schlumberger Ltd. said second-quarter profits fell 27 percent, to \$212.1 million, or 71 cents a share, from \$291.7 million, or \$1.01 a share, from the same period last year. Revenue rose 4.3 percent to \$1.64 billion from \$1.57 billion.

Wormold International Ltd.'s directors have recommended that shareholders in the Sydney company do not accept an increased partial takeover bid of 3.90 Australian dollars (\$2.74) a share by Adelaide Steamship Co.

## Earnings

Revenue and profits, in millions, \$ or in local currencies unless otherwise indicated.

Canada		United States		Bank One Corp	
Abn-Amco	Price	Abn-Amco	Price	2nd Qtr.	1984
Revenue	1985	Revenue	1985	Net Inc.	1984
Operating	1984	Operating	1984	Per Share	1984
Other	1984	Other	1984	1st Half	1984
Over	1984	Over	1984	Net Inc.	1984
Per Share	1984	Per Share	1984	Per Share	1984
Japan		Architect Donalds AID		Boehringer Ingelheim	
Asahi Chem. Ind.	Price	2nd Qtr.	1985	Revenue	1985
Revenue	1985	Net Inc.	1985	Net Inc.	1985
Operating	1985	Operating	1985	Per Share	1985
Other	1985	Other	1985	1st Half	1985
Over	1985	Over	1985	Net Inc.	1985
Per Share	1985	Per Share	1985	Per Share	1985
C. 11th		Ball Corp.		Citicorp	
Revenue	1985	2nd Qtr.	1985	Revenue	1985
Operating	1985	Net Inc.	1985	Net Inc.	1985
Other	1985	Operating	1985	Per Share	1985
Over	1985	Other	1985	1st Half	1985
Per Share	1985	Per Share	1985	Net Inc.	1985
				Per Share	1985
Marubeni		Mitsubishi		Mitsubishi	
Revenue	1985	2nd Qtr.	1985	Revenue	1985
Operating	1985	Net Inc.	1985	Net Inc.	1985
Other	1985	Operating	1985	Per Share	1985
Over	1985	Other	1985	1st Half	1985
Per Share	1985	Per Share	1985	Net Inc.	1985
				Per Share	1985

## Control Data Hears Problems

(Continued from Page 15)

nevertheless suggested that the salesman try it. "That was Monday at lunch time," recalled the manager. "By 11 A.M. on Tuesday, the police had found his daughter and EAR had found a place in a halfway house for her. Someone had taken the problem off of him and given him a direction to go in. After that I became an immediate convert."

Two other managers who were skeptics when the service was introduced went to EAR when each had a parent die. "I was one of the

hardest critics at the time," said one executive, who manages 100 people. "Then my father died and I had a hard time coping. I went to EAR and it worked very well."

EAR also provides personal advice for wives and children. Fourteen percent of its calls in London are from members of employees' families.

One third of the calls are work-related. If coping with a manager's personal problems is an unusual service for a company to provide, there are even greater pitfalls to a service that potentially could meddle in corporate politics.

## ADVERTISEMENT INTERNATIONAL FUNDS

Quotations Supplied by Funds Listed

14 July 1985

The net asset value quotations shown below are based on the Funds listed with the exception of some funds whose values are based on these prices. The following are the net asset value quotations for the funds listed with the exception of the following:

(d) - daily; (w) - weekly; (m) - bi-monthly; (q) - quarterly; (y) - bi-annually; (a) - annually.

(a) - American Mutual Fund; (b) - British American Mutual Fund; (c) - Canadian Mutual Fund; (d) - Dutch Mutual Fund; (e) - European Mutual Fund; (f) - French Mutual Fund; (g) - German Mutual Fund; (h) - Italian Mutual Fund; (i) - Japanese Mutual Fund; (j) - Korean Mutual Fund; (k) - Latin American Mutual Fund; (l) - Middle East Mutual Fund; (m) - North American Mutual Fund; (n) - Pacific Mutual Fund; (o) - South American Mutual Fund; (p) - Swiss Mutual Fund; (q) - Swiss Bank Corp. Mutual Fund; (r) - Swiss Bank Corp. Mutual Fund; (s) - Swiss Bank Corp. Mutual Fund; (t) - Swiss Bank Corp. Mutual Fund; (u) - Swiss Bank Corp. Mutual Fund; (v) - Swiss Bank Corp. Mutual Fund; (w) - Swiss Bank Corp. Mutual Fund; (x) - Swiss Bank Corp. Mutual Fund; (y) - Swiss Bank Corp. Mutual Fund; (z) - Swiss Bank Corp. Mutual Fund.

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**NASDAQ National Market Prices**[illegible]

(Continued on Page 20)

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## U.S. Companies Sell Chip Technology to Koreans to Counter Japanese Competition

that Korean companies could easily obtain technology in other ways, such as by hiring American engineers.

Industry experts say the licensing clearly has helped the Koreans, bringing them almost up to the level of American companies in computer memory and other areas.

Hyundai is a case in point. Two years ago, the \$10-billion Hyundai group had no semiconductor activities. This year, it is ready to enter the market with at least four prod-

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## SPORTS

## Baseball Union Sets Aug. 6 Strike Deadline

CHICAGO — The executive board of the Major League Players Association on Monday designated Aug. 6 as the date the players would strike if they did not reach agreement with the club owners on a new collective bargaining agreement.

"We mean business," said Shane



Union leader Donald Fehr

Rawley, player representative of the Philadelphia Phillies. "And the sooner we get this over with, the better. The date is set and if there's no agreement by then, adios."

The 30-member board selected Aug. 6 primarily because a large number of contenders are scheduled to begin playing each other at that time. On that particular Tuesday, the New York Mets play Montreal and the Chicago Cubs play St. Louis in two critical National League East series, and San Diego plays Cincinnati in a National League West matchup.

In the American League, Baltimore plays Toronto, Minnesota meets Oakland and Detroit plays Kansas City. The following week there are other matchups that figure to be big attractions. The players hope the owners will make a serious effort to reach an agreement to avoid losing the revenue those crowds will produce.

An Aug. 6 strike would also give the two sides time to settle their differences and return in time for the postseason games, the league championship series and the World Series, which generate \$120 million in television revenue for the owners.

A Sept. 15 deadline had been considered but was seen as coming dangerously close to jeopardizing the postseason games.

Several players selected for Tues-

day's All-Star Game in Minneapolis commented on the setting of the strike date.

Atlanta center fielder Dale Murphy: "You have to think about stuff like that at a time like this, but it has crossed my mind."

New York Met pitcher Ron Darling: "I think I'm like anyone else. I don't want to see a strike. Hopefully, this will push both sides closer."

St. Louis shortstop Ozzie Smith: "It's just like 1981. Only way you can get your point across is to set a strike date. I wish we didn't have to, but here we are."

Cincinnati player-manager Pete Rose, who is 33 hits away from matching Ty Cobb's career record for base hits: "They'll dicker and dicker before they realize that both sides are serious. That's when they'll get down to business."

Chicago White Sox outfielder Harold Baines: "Am I optimistic? I guess not. We've been trying since November."

Oakland reliever Jay Howell: "I really don't know much about it. You're really talking to a guy who's awfully happy to be playing in his first All-Star Game."

Representatives of the players and the owners have been meeting sporadically for eight months in an effort to reach an agreement to replace the one that expired on Dec. 31. Much of the time in recent

months has been spent on disputing whether or not baseball, as an industry, has severe financial problems, as the owners contend. There has been little discussion of other issues — minimum salary, salary arbitration, free agency, pensions and other benefits.

The players have studied the owners' financial figures, particularly for the 1984 season: they maintain the clubs made a \$9 million profit, while the owners say they lost from \$27 million to \$43 million.

The next negotiating session is scheduled for New York on Thursday, less than three weeks before the strike date.

"I don't feel a strike is inevitable," said Donald Fehr, acting executive director of MLPA. "If we put our heads together, we can find a way through this — unless a strike is what the owners want."

A strike would be the third in six years and the fourth ever by the players association.

The players struck for 50 days during the 1981 season over the issue of compensation for free agents. In 1980, during negotiations for a new agreement, they struck the last few days of the exhibition season.

The union staged its first strike in 1972, walking out three days before the end of spring training and striking the first 10 days of the

season before agreement was reached on the owners' contribution to the players' pension and benefit plan. Eighty-six games were lost that year. The 1981 strike forced cancellation of 712 games.

Twenty-one team representatives voted for the Aug. 6 deadline. The San Diego Padres were the lone team to not vote. Terry Kennedy, the Padres' representative, explained to the board that players on his team favored a strike, if necessary, but would prefer a later date.

Lee MacPhail, the owners' chief negotiator, was in Minneapolis for the All-Star Game. "We are and have been ready to collectively address the problems confronting us," he said. "We do not want a strike. It would be a failure on both our parts and unfair to the fans."

"We will make every reasonable effort consistent with our obligations to the game and the problems to reach an agreement before the Aug. 6 deadline."

In announcing the strike date, Fehr criticized the owners and Commissioner Peter Ueberroth. On Sunday, Ueberroth had told a national television audience that "a strike is a failure... it's not a strike date; it's a failure date. It means both sides have failed to come together."

Said Fehr: "That's true only if both sides are doing everything they can. [The owners'] position from the beginning has been, 'We'll talk to you tomorrow. If not then, maybe next week. Maybe...'"

Ueberroth, he said, "doesn't even bother to keep up on date on issues." On Tuesday, Ueberroth said he was "kind of happy" a strike deadline had been set. The negotiators, he said, should "get this over with. It puts the pressure on everybody.... I think they'll get it done." (NYT, AP, WP)

## Boston's Marathon Will Turn Pro at 90

BOSTON — The Boston Athletic Association voted late Monday to award prize money for the Boston Marathon, starting with its 90th running next April 21. The decision ends the race's amateur status.

In recent years, there had been a steady decline in world-class entrants in the nation's oldest continually run marathon as top contenders bypassed Boston to train for marathons offering prize money.

The BAA said the decision is intended to continue the event's tradition of excellence and to assure quality fields. "I don't think we are going away from tradition," said Robert Weiss, one of the association's 11 governors. "By adding prize money, we'll attract more world-class runners."

"That's the delicate balance we have to watch out for over the next couple of months."

The announcement was hailed by former champion Bill Rodgers and 1984-85 title holder Geoff Smith of Britain.

"I think it can be the best marathon in the world if they continue to make these types of changes," said Rodgers, who won in 1975 and 1978-80. "Runners want to compete against their best competition. I think Boston's prestige will pull people back."

Smith agreed. "I'd love to win Boston with a great field," he said. "The thought of running Boston again is exciting."

Except for Smith, virtually all top marathoners bypassed the race in 1985, when entries dropped below 6,000 (there were 6,800 in 1984) and the number of male runners with times below 2 hours, 20 minutes fell to 20 from a high of 77 in 1982. Foreign entries also dropped, from 550 in 1984 to 375 this year.

Smith said the BAA "can't go half way" about the amount of prize money it offers. Marathoners such as those in New York and Chicago offer more than \$70,000 in prizes.

Weiss said no decision had been made on the size of the 1986 purse or how it will be structured. He said the total "will be determined on the basis of financial support from existing and potential sponsors."

The board's announcement followed last week's release of a memorandum by the staff of Boston Mayor Raymond L. Flynn that proposed awarding total prizes of \$292,500.

The memo was prepared after consultation with members of the running, business and political communities. Under the proposal, the prizes would include \$30,000 for winning, \$10,000 for a course record, \$10,000 for a U.S. record and \$75,000 for a world record.

Winners have traditionally received a laurel wreath and — along with every other finisher — a plate of beef steaks.

"I wanted to give prize money four years ago," said Will Cloney, who was BAA president and race director at the time. "The other people in the BAA just wouldn't be realistic." Cloney subsequently resigned both positions.

"I'm sorry they wasted four years," he said Monday. "I hope the race can be restored to the stature it enjoyed up to four years ago. We've lost an awful lot of ground and I just hope the race can make it up." (AP, UPI)

## USFL Faces Another 14 Months in Limbo

New York Times Service

NEW YORK — Well before the United States Football League's third championship game Sunday, the question was not what the point spread; it was what the point?

Ever since the USFL intruded on springtime sports, that issue has been the story of its life. And Sunday night's big question was not whether Oakland would dethrone the defending champion Baltimore Stars, but rather, was that game the USFL's death rattle?

Or would the USFL somehow survive and resume in the fall of 1986 in direct competition with the National Football League?

The answer, like so many others in sports these days, will be provided in a courtroom — the verdict on the USFL's \$1.2 billion antitrust suit against the NFL that is expected to begin next February with a federal jury trial.

Harry Usher, the USFL commissioner, talks bravely about how the less of the antitrust case "would not spell the end of the league." But without a favorable verdict, the USFL would have even less reason than it does now to continue.

Were the USFL to win its case (charging the NFL with preventing it from having obtained a 1986 network television contract), it would be alive and well as never before. The jury could award damages worth millions, possibly a billion. Judge Peter Leisure also might order the network to negotiate a USFL contract. Or the NFL might be willing to absorb, say, four to eight USFL teams.

Until that case begins, the 'L' in USFL stands for limbo, not league. But for football, even limbo is better than springtime.

In a nationwide poll of 1,000 people commissioned by the USFL, the league received favorable responses on most issues. But as with any poll, its answers were only as valid as the opinions of the people polled. Of the 700 who acknowledged being either very inter-

ested or somewhat interested in football, 33 percent didn't even know that the USFL has been playing its games in the spring. Another four percent thought it was in the fall and winter.

That prompts two questions not asked in the poll: How really interested are those people in football? And how valid are their opinions?

No poll is needed to know that the USFL finances are shaky. Over its three seasons, its club owners have lost about \$150 million. And with ABC withholding \$7 million in television fees — which has provoked another USFL lawsuit — the league treasury is searching for \$2.8 million in postseason bonus money owed to the players on playoff teams.

"We're trying," Usher says, "to work it out."

Four teams did not fulfill their player payrolls this season — San Antonio (the last two games), Houston (the last two games), Tampa Bay and Portland (each the final game).

Although three franchises — Memphis, New Jersey and Orlando — had increased attendance figures, the average announced attendance dropped to 24,494, down nearly 3,000 from last year. The league's TV ratings also were down more than 30 percent.

Support for Usher by some club owners has also dwindled. When he was hired last February as CEO, Simmen's successor, Usher was hailed for his administrative work on the Los Angeles Olympic Organizing Committee. But now some owners are disenchanted with him as a promoter.

Usher didn't even attend the semifinal playoff games in Memphis and Birmingham last weekend.

When the commissioner did attend games, he sometimes sounded more like a fan than a neutral administrator. During the first half of New Jersey's 20-17 playoff loss to Baltimore, he was heard to exhort Donald Trump's team by saying,



Against Oakland on Sunday, Gary Worthy of Baltimore gained some of the USFL's last yardage until the fall of 1986.

"Attababe" and "What's that flag for?"

At halftime during a Los Angeles Express game this season, he had a suggestion for Don Klosterman, then the president and general manager of the Express. "Tell your coaches," the commissioner was heard to say, "to blitz your line-backers now."

Trump enthusiastically endorsed Usher's hitting. But lately the General's owner has been touting Earl Foreman, the commissioner of the Major Indoor Soccer League, to

other club owners. Usher's three-year contract extends through Feb. 1, 1988.

The next USFL game is 14 months away. It is obvious that in the meantime a number of problems must be resolved. Apart from the formidable litigation schedule, the league must hold onto its stars, but several are looking to the NFL.

Each of the 14 teams will retain 35 of its 50 players, releasing the others as of Aug. 1; those left for 1986 will not receive any paychecks until March.

## Two English Managers Put Their Images to Work

International Herald Tribune

LONDON — "I get players that possibly no one else will touch. They've had AIDS, herpes, shingles, the highest unemployment. But I get them to play a bit extra for me, and not cost the club a lot of money."

Those modest words amounted to the acceptance speech last week of an Englishman whose terms for managing a soccer club fall on hard times include half a million pounds in salary over three years, a seat on the board, a coaching job for his faithful back-up man and a post looking after the youth team for his son.

All that in an area Lawrie McMenemy should know, since the club lies in his native county, suffering the highest unemployment in the British Isles. Yet rather than resentment, the people of Sunderland — some of its people — are welcoming McMenemy as the new messiah.

"I'm very proud to have landed the best manager in the United Kingdom," breathed Chairman Tom Cowie, a millionaire car dealer who has sacked three managers in his five years as Sunderland AFC's Mr. Big. "The man is magic. Everybody loves him. He has charisma, ability, great personal charm. He won't just be manager, but a director too. And he'll wind up managing director. If the supporters back him, Sunderland will become one of the best teams in the world."

Image projection is paramount. McMenemy learned the rudiments as a Coldstream Guardsman at Buckingham Palace, where he drew himself to his full 6-foot-4 (1.93 meters) and "premed my self like a peacock."

Frank Worthington has a different style, but image projection all the same. Worthington, whose only known physical defect was low blood pressure, was once a player employed by McMenemy at Southampton.

Although almost opposite talents, Big Mac and Big Frank are among soccer's best protected personalities. McMenemy, who never collected a paycheck for kicking a ball, talks a magnificent game and talks others into performing. Worthington was endowed with rare finesse on the ball and a winning way with nightclub ladies.

British soccer is, and was, about runners who carry out orders rather than follow their own instincts. This week Worthington also

begins a new career — a gamble that, with luck, might bring him an eighth of McMenemy's windfall.

Worthington is moving to Liverpool Rovers, a club in the shadows of Liverpool's giants and, again, industrial depression. He will play for, and manage, a team whose an-

The disbelievers included Sir Alf Ramsey. The England manager recalled when Worthington, a lifelong Elvis Presley devotee, named up for under-23 duty behind the Iron Curtain in cowboy boots, black satin trousers, red silk shirt and green velvet jacket. A fellow like that couldn't possibly play for England. But he did.

Ramsey was axed; under Joe Mercer, Worthington's haute couture mattered less than his goal-scoring contributions during the brief, unbeaten Eastern European tour.

Mercer, alas, was temporary. His free-and-easy rule was followed by Don Revie, whose tackle-and-pull, close-down-space regimen was no place for an entertainer.

Consequently, Worthington believes, "there was a percentage in me that never came out. A couple of back-heels and the manager would pull me off, accusing me of playing for myself. I felt able to try things a little bit beyond what most others do, but that was thought arrogant."

He is unlikely to encounter at Tranmere the dilemma of how much rein to allow such a player. Free spirits are there aplenty, but few talents to match.

Why? The likely lads of Tranmere Rovers will bear their new boss aimed at once "abused my body with birds and booze." But they will also hear that his hair came from 12-hour daily practices as a youngster — "just trying to get to know the ball, to be master of that little round thing."

Today's society offers kids too many alternatives for that kind of obsession. Even McMenemy, for all Sunderland's comparative wealth and all his persuasive tongue, will have no such player.

Still, Sunderland has new priorities. Relegated to Second Division, it sacked manager Len Ashurst and sold goalie Chris Turner to Manchester United. Using the profits on the one player who came close to saving a bad team, the chairman thus hired his messiah.

I wonder if McMenemy (or Worthington for that matter) has had time to reflect on the run in 1983 who offered daily prayers to St. Jude on behalf of the Southampton manager. St. Jude? "Well, Mr. McMenemy," the good lady replied, "he's the champion of lost causes."

## ROB HUGHES

meal chore is to stay clear of both the liquidator and the bottom of the Fourth Division. Should Worthington sack McMenemy's advice, it might begin: "Don't do as I do, do as I say." But where McMenemy must envy the skills of others, Worthington may never truly understand why full-time professionals cannot master the ball.

In their year together, McMenemy will have seen Worthington's love for soccer and the deep mind beneath the player's blase image. Now, in changing circumstances, Worthington will come closer to two things that annoy him: the manager as a cult figure and the need, as managers see it, to grind out results ahead of entertainment.

To be sure, he will set out to win with style. All managers talk about that. McMenemy, more than most, buys players to turn on the style, although his bold media front often camouflages blunder tactics.

One afternoon last November, for example, six of his men were booked, four for what were described as "softening up tackles." McMenemy gathered in the press and said: "There were no back tackles, no one was carried off. My lads deserved the result because of their resilience and battling."

Worthington, now 36, will run into plenty of that down among the backers. I hope he doesn't compromise his beliefs too quickly.

On a good day, Tranmere pulls in 1,500 spectators. Many will be there because they recall Worthington's flights of fantasy.

My favorite was against Ipswich. Worthington had his back to the goal, 20 meters out. Once, twice, he flicked the ball up to knee height before arching his back and lofting the ball overhead past an astonished goalkeeper. Graceful for anyone; for a man over six feet tall, quite unbelievable.

## SCOREBOARD

## Cycling

## Tour de France

## SEVENTEENTH STAGE

Trialists to Los Angeles (120.5 Kilometers / 120.5 Miles)

1. Pedro Delgado, Spain, 5th hours 57 min.

2. Luis Herrera, Colombia, 25 seconds behind

3. Flobie Porro, Colombia, at 1:29

4. Sean Kelly, Ireland, at 2:32

5. Greg LeMond, U.S., at 2:55

6. Jesus Rodriguez, Spain, at 3:54

7. Celestino Prieto, Spain, same time

8. Phil Anderson, Australia, at 4:10

9. Eddy Scherens, Belgium, at 4:25

10. Peter Winnen, Netherlands, at 4:31

11. John Zemanek, Netherlands, at 4:31

12. Stephen Roche, Ireland, at 4:31

13. Robert Millar, Britain, at 4:31

14. Alvaro Pino, Spain, at 4:32

15. Thierry Gervois, France, at 4:49

16. Steven Roca, Netherlands, at 4:51

17. Mike Ruttimann, Switzerland, at 4:51

18. Bernard Hinault, France, at 4:51

19. Jerome Simon, France, at 4:59

20. Eduardo Chozas, Spain, at 4:59

21. Robert Parrel, France, at 4:59

22. Foutse Kuipers, Spain, at 5:08

23. Inaki Goñi, Spain, at 5:10

24. Lucien Van Impe, Belgium, at 5:18

25. Claude Crieldien, Belgium, at 5:18

Overall Leaders

1. Bernard Hinault, France, 9 hours, 26 min.

2. Greg LeMond, U.S., 9:25 behind

3. Sean Kelly, Ireland, at 5:10

4. Phil Anderson, Australia, at 7:28

5. Pedro Delgado, Spain, at 8:18

6. Luis Herrera, Colombia, at 8:21

7. Flobie Porro, Colombia, at 9:28

8. Eduardo Chozas, Spain, at 9:31

9. Robert Millar, Britain, at 10:29

10. Mike Ruttimann, Switzerland, at 11:36

11. Peter Winnen, Netherlands, at 11:42

12. Steve Bauer, Canada, at 11:59

13. Eddy Scherens, Belgium, at 12:27

14. Steven Roca, Netherlands, at 12:31

15. Celestino Prieto, Spain, at 12:35

16. Pascal Simon, France, at 15:21

17. Luis Herrera, Colombia, at 16:27

18. Pierre Bache, France, at 16:18

19. Alvaro Pino, Spain, at 18:21

20. Steven Roca, Netherlands, at 21:02

21. Marc Magdel, France, at 21:17

22. Steven Roca, Netherlands, at 22:21

23. Lucien Van Impe, Belgium, at 22:37

24. Jerome Simon, France, at 23:11

25. Beat Bred, Switzerland, at 23:27

26. Gerard Veldscholten, Netherlands, at 23:38

## FOURTEENTH STAGE

Sainte-Marie-de-Camp to Luz-Ardennes (54.1 Kilometers)

1. Marie Corbis, Italy, 2 hours, 13 minutes

2. Jeanne Lenoir, France, 9:13 behind (10 min. lost)

3. Wang Li, China, at 9:34 (5 seconds bonus)

4. Roberto Bonaventura, Italy, at 9:38

5. Claudio Jorja, France, at 11:00

6. Cecile Gelin, France, at 11:16

7. Isabelle Chazotte, Italy, at 12:31

8. Helen Hogg, Netherlands, at 13:31

9. Judith Polster, Britain, at 14:28

10. Janette Parke, U.S., at 15:02

Overall Leaders

1. Marie Corbis, Italy, at 23:52

2. Jeanne Lenoir, France, 9:13 behind

3. Wang Li, China, at 9:34

4. Roberto Bonaventura, Italy, at 10:35

5. Cecile Gelin, France, at 11:16

6. Isabelle Chazotte, Italy, at 12:31

7. Helen Hogg, Netherlands, at 13:31

8. Judith Polster, Britain, at 14:28

9. Janette Parke, U.S., at 15:02

10. Janette Parke, U.S., at 15:17

## WOMEN

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